



# Real Property – PST Changes

## Information Session in conjunction with the Saskatchewan Construction Association

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# Presenter

- 26 yrs specialist in GST/HST and PST
- 19 yrs in public practice with major professional advisory firms as an indirect tax specialist;
- Senior manager with MNP LLP;
- CMA designation in 1998;
- Based in Regina, Sask.



# Agenda:

- Overview
  - Real property in general
  - New PST rules
  - Transitional Period
  - Questions
- 
- 30 minutes presentation; 30 minutes Q&A

# Overview

- Categorical change to the tax status of real property services
- Impacts sale of NEW real property structures
- Almost all construction, repairs, alterations, improvements to land, buildings, structures – taxable on retail price
- Sale of LAND - Exempt
- Sale of USED buildings/structures - Exempt
- Lease of new or used real property - Exempt

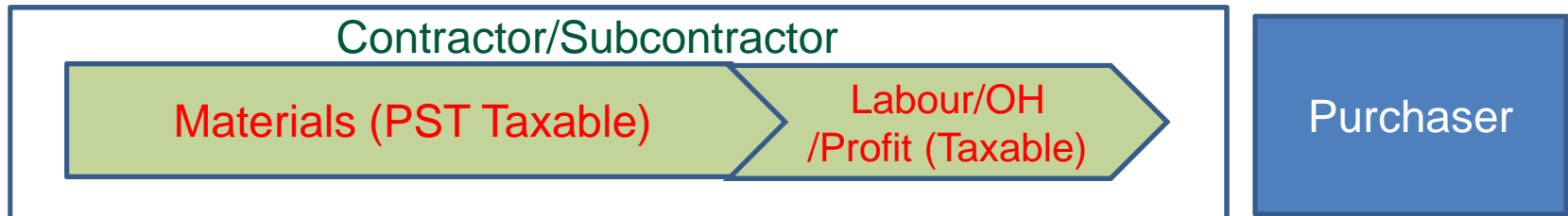
# What has happened

## Old Rules



↑  
PST Paid  
at source

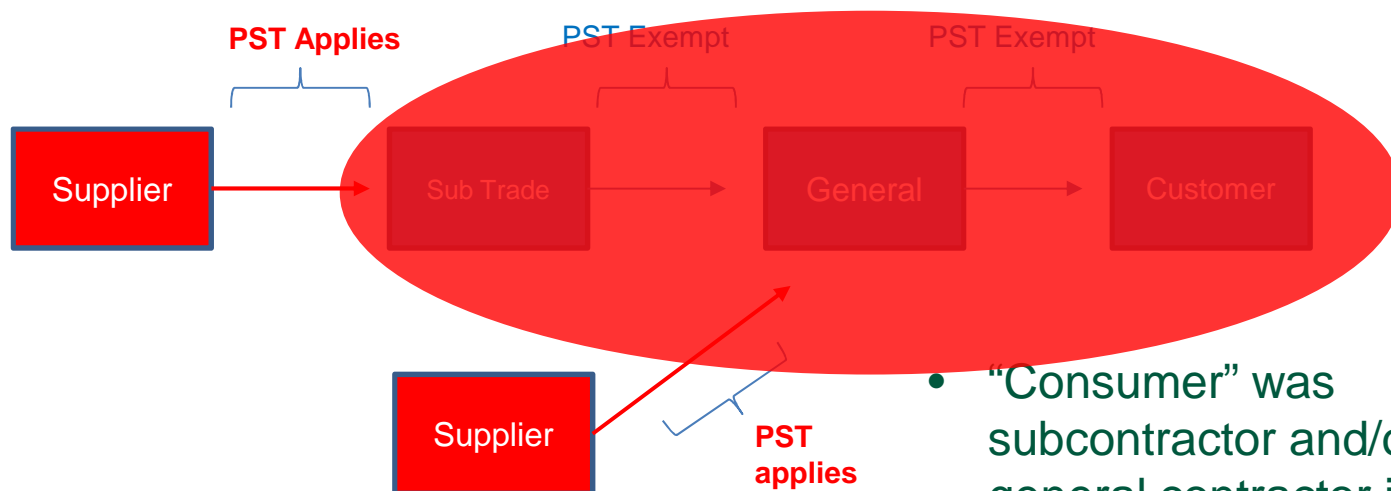
## New Rules



Acquire taxable goods/services  
on Exempt basis

↑  
PST Paid

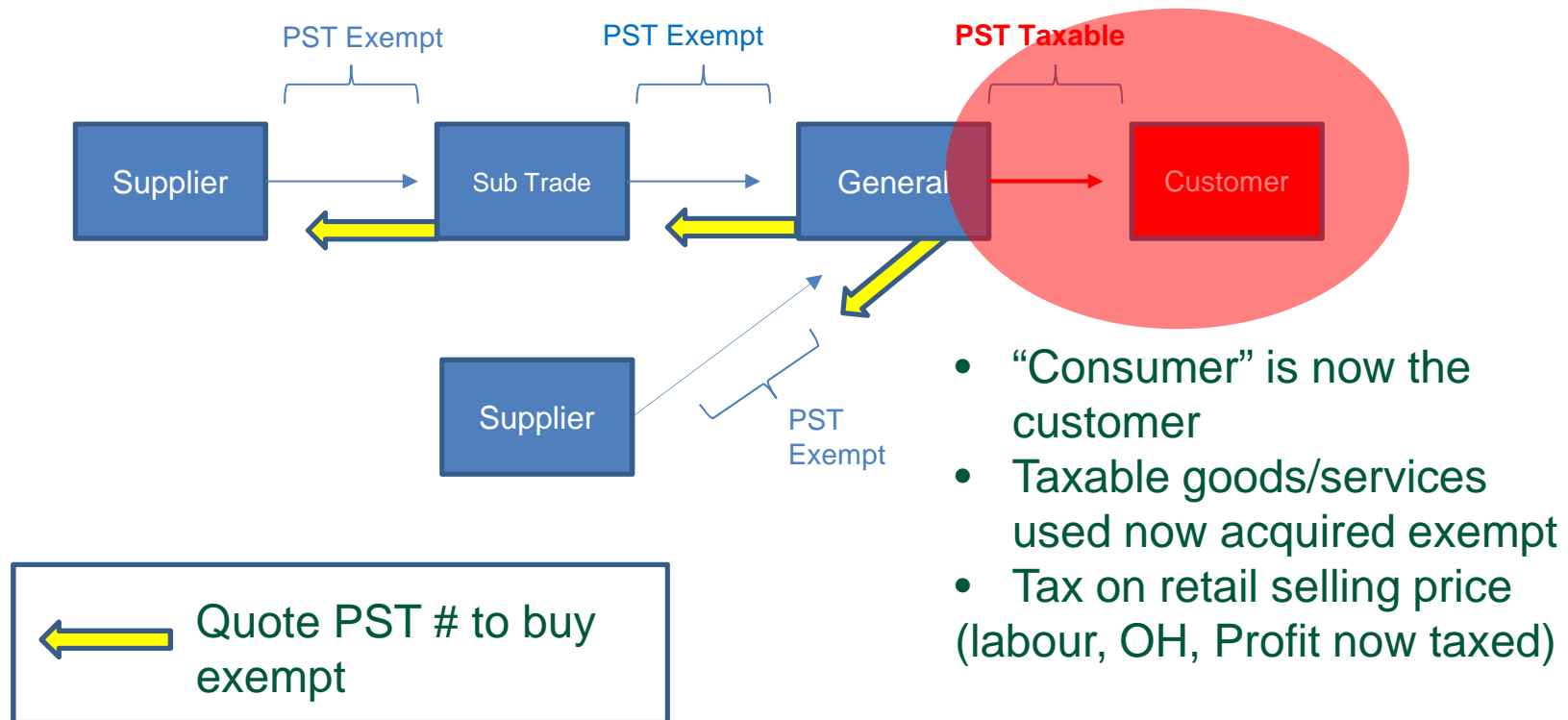
# Old PST Rules



- “Consumer” was subcontractor and/or general contractor in many arrangements;
- PST paid on materials used



# New PST Rules



# Taxable Real Property Services

- Construction
- Repair/Demolish
- Altering/Improvement
- Erecting new structures
- Remodelling/renovation
- Related services (warranties, maintenance contracts, insurance premiums)

# Examples:

- Build a new house, commercial/industrial building
- Road construction
- Install a gas line, water line, pipeline, etc.
- Renovate interior/exterior of a building
- Install fascia, soffits, eavestrough
- Install HVAC, plumbing, electrical, etc.
- Repair/alter/improve any of the above, etc.

# Maintain Real Property

- Maintenance services are not taxed
- Caution on defining what is maintenance vs repair
- Maintenance: Snow clearing, lawn care, etc.
  - Grade a road – taxable service to real property
  - Install sod, sprinklers – exempt (maintenance) service to real property
  - Maintain lawn (e.g.; spray for weeds) - Exempt
  - Use bobcat to clear snow – Exempt services
  - Use bobcat to fill/repair potholes in road – Taxable service

# Land Development

- Infrastructure going into land – PST taxable on retail selling price
- Sale of land remains exempt
- WATCH to ensure PST is paid on taxable services to real property going into the land
- Sale of new structure (FMV of land is not taxed; new structure is taxable)

# Renovations

- Old tax base rules followed on projects underway and/or contracted before April 1, 2017;
- Contracted after March 31, 2017:
  - Renovation service taxed on entire service
  - If doing renovations for yourself (e.g.; in a business, for your business), PST payable on materials; self-assess on labour
  - If charging for services, retail selling price rules apply (e.g.; new rules)
  - Subsequent sale of property – PST exempt

# Transition Rules

- Agreement in place **before April 1, 2017**
  - Contractor and all subcontractors to that original agreement are grandfathered under old rules
  - Work that is tendered and closed before April 1, 2017 should fall to old tax base rules
  - Bids, letters of intent, PO's – not sufficient on their own
  - MUST have documented support old rules are eligible to be followed
  - Invoicing would continue under old rules for life of contract
    - This period may be closed off in the near future

# Transitional - Change Orders

- 10% cumulative limit before they fall to new rules
- Based on original contract price
- Cumulative change order measured April 1, 2017 onward
- Once exceeds 10% - all post-Mar 31 2017 change orders subject to PST on retail selling price (taxed at 6% rate)



# Transitional Rules

- Master Services arrangements not eligible
  - Open ended agreements to provide services as needed
  - Not viewed as specific arrangement to be grandfathered
  - New rules apply for service provided after March 31, 2017

# Transition Specifics

## Pre-April 1, 2017

- Builds under pre-April 1, 2017 contract remain under old rules
- Inventory for sale (e.g. new houses, spec houses, etc.) – Exempt on sale
- In-progress construction – exempt on sale or on construction services
- PST paid on materials not eligible for credits

# Transitional - Inventory

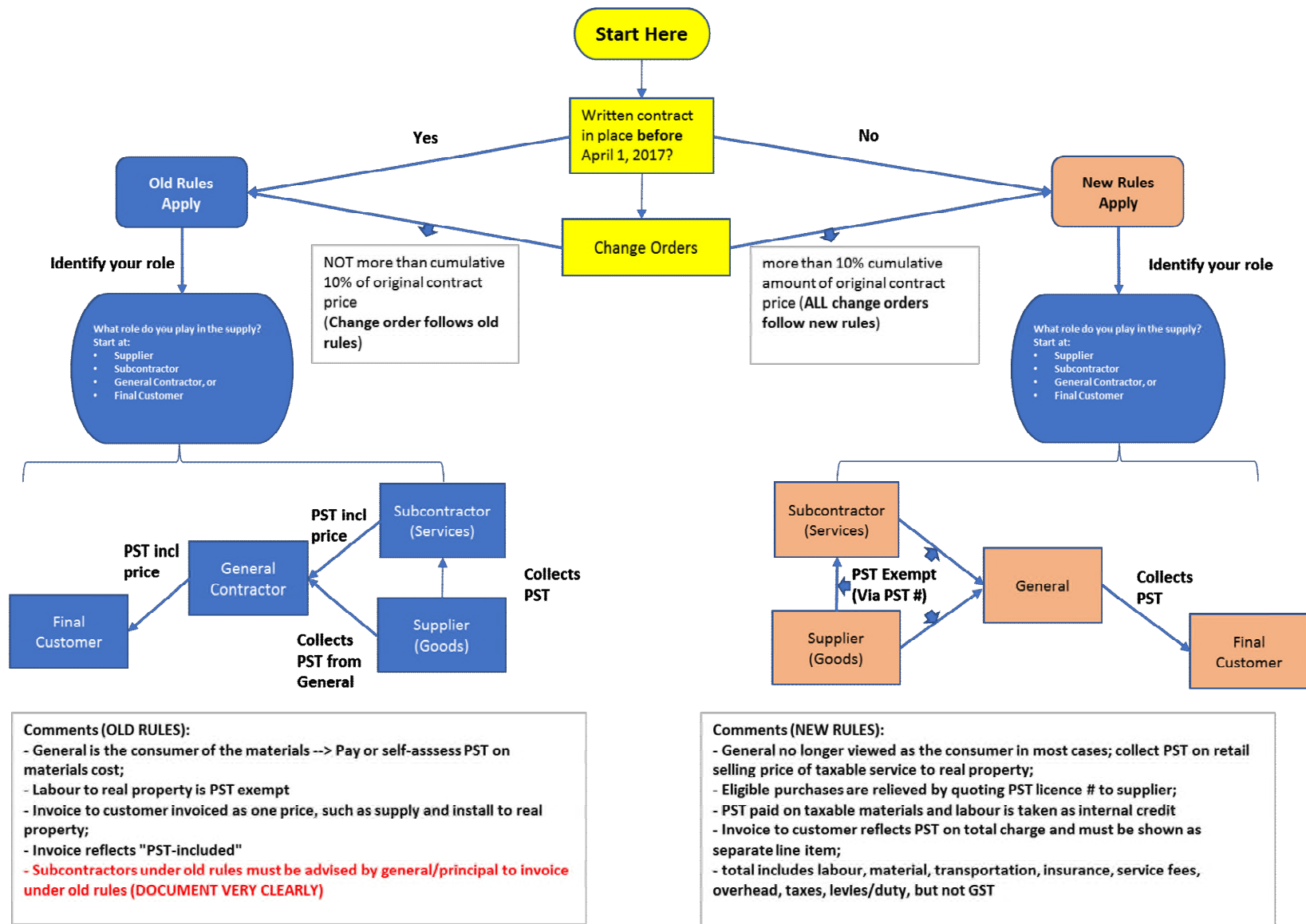
- PST paid materials are eligible for a credit when in relation to NEW rule application
- Credit is used to reduce PST collectible in a subsequent return
  - Cannot create a refund; claim remaining credit in another PST return
  - DOCUMENT support for the PST credits

# Examples – Existing Services

- Old tax base rules:
  - Building inventory completed prior to April 1st
  - Builds under construction prior to April 1<sup>st</sup>
  - Agreements in place prior to April 1st, construction not started
  - Constructed house/commercial/industrial building completed or under construction prior to April 1 and subsequently leased
  - Subtrades to these contracts – old rules

# Examples – New Services

- New Rules
  - Construction contract not in place by March 31<sup>st</sup> (subtrades to the main contract also under new rules)
  - Construction/alteration/improvement contracted after March 31
    - New builds, construction services, renovations, etc
  - Change orders >10% on a cumulative basis from Apr 1/17 onward (e.g.; contract under old rule); 6% PST applies on change orders.



# Words of Caution

- DOCUMENT why you are under the old rules during period of transition
- RISK is 6% on labour, overhead, profit you may have missed collecting or paying
- CANNOT use PST account to buy goods for own use on PST exempt basis
  - Don't abuse the PST account – intended to buy taxable goods/services for further resale
  - Equipment, tools, etc. are for use in providing services for example

# Words of Caution

- Rules are evolving
- When in doubt – seek a ruling from Sask Finance or professional advice to interpret
- PST is very administrative and policy driven



# Discussion

Questions?

Concerns?

Confusion?

Thank – you !

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