

# Information Bulletin

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PST-65

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## THE PROVINCIAL SALES TAX ACT

### INFORMATION FOR BUSINESSES PROVIDING ENGINEERING, GEOSCIENCE AND ARCHITECTURE SERVICES

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:

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#### A. DEFINITIONS

##### The Practice of Professional Engineering and Geoscience

**Engineering and Geoscience services** mean those services provided by a person conducting the “practice of professional engineering” or the “practice of professional geoscience” as defined in *The Engineering and Geoscience Professions Act*. These services are referred to as “engineering services” in this information bulletin.

##### The Practice of Architecture

**Architectural services** mean those services provided by a person conducting the “practice of architecture” as defined in *The Architects Act, 1996*. These services are referred to as “architectural services” in this information bulletin.

Engineering and architectural services include services that are provided by a person who resides in a jurisdiction other than Saskatchewan who is licensed, registered or regulated pursuant to a statute or law of that jurisdiction that is similar to *The Engineering and Geoscience Professions Act* or *The Architects Act, 1996*.

**Real property** includes land or buildings or property that is permanently attached to land or buildings. In general, goods become real property upon installation when affixed or attached to the land or building in a permanent manner (i.e. sunk into, cemented into, bolted to, built or framed into, plumbed or wired into, or otherwise secured), thereby becoming an integral component of the property. The goods become a permanent and substantial improvement to the real property, being attached to the building such that they add value and cannot be easily removed.

In addition, items that are so large and heavy they cannot be moved may also be considered real property, even if they are not otherwise affixed to the land or a building. For example, most production machinery and equipment is considered to become real property after being permanently installed and becoming an integral component of a processing activity, regardless of being attached or affixed to the land or building.

**Tangible personal property** refers to property, other than land or buildings that is movable, not attached to land or buildings in a permanent manner and can be subject to repossession.

**Prime consultant** means the party contracted with the client to provide professional engineering or architectural services.

**Sub-consultant** means a party contracted with the prime consultant to provide professional engineering or architectural services.

**Design/build projects** are projects where a prime consultant is retained by a contractor who provides a completed project to the client.

**Site-specific** refers to services intended to have a material effect on land or tangible personal property in Saskatchewan. These services generally result in drawings and specifications being provided to the client.

## **B. TAXABLE ARCHITECTURAL AND ENGINEERING DESIGN SERVICES**

Architectural and engineering services that relate to Saskatchewan, being for site-specific developments, facilities, or projects located in Saskatchewan and provided by an engineer, geoscientist, or an architect are subject to tax.

Where services are provided in relation to facilities or projects in more than one jurisdiction, only the fees related to facilities or projects in Saskatchewan are subject to tax.

### **Architectural Services**

Tax applies to 30 per cent of the following architectural services, including charges related to disbursements:

- schematic design;
- design development;
- preparation of construction documents; and,
- any service related to bidding, negotiating or tendering for construction contracts.

These services are generally included in phases 2, 3, 4 and 5 in The Saskatchewan Association of Architects (SAA) schedule of fees.

### **Engineering Services**

Tax applies to 30 percent of design services, consisting of the preparation of engineering designs, drawings and specifications, as well as contract documents, and charges for related disbursements, including:

- the preparation of preliminary sketches and development of specification notes;
- preparation of calculations, equipment selection, working drawings, and specifications;
- preparation of cost estimates and completion schedules; and,
- assisting or advising clients in preparing tender packages, calling for tenders, analyzing tender responses or advising clients regarding tender acceptance.

The above services are generally included in Category III of the Association of Consulting Engineering Companies -Saskatchewan (ACEC) Schedule of Recommended Fees to be Charged for General Engineering and Geoscience Projects and Services.

**Please see Section E for information regarding construction management services and Section G for design/build projects.**

**Note:** The 30 per cent formula is intended to establish a representative portion of the architectural or engineering design related fees that are directly related to the design services provided by the professional architect or engineer.

This formula applies whether the services are billed on an hourly, percentage or fixed-fee basis and includes all disbursements that are associated with these services.

**If an invoice for engineering services fails to segregate the engineering services outlined above from other categories of fully taxable or exempt engineering services, or other taxable goods and services, PST applies at 6 percent on the total amount invoiced.**

### **Calculation of Tax**

Tax applies at a rate of 6% of 30% of the value of architectural and engineering services identified above.

Example	Total value of the taxable category or phases (including disbursements):	\$100,000
	Taxable Portion (30%)	\$ 30,000
	PST @ 6%	\$ 1,800

**C. SUB-CONSULTANTS**

Sub-consultants who provide taxable services to prime consultants are not required to collect tax on their engineering or architectural services as the tax will be collected on the final billing to the client. The prime consultant acquiring the services for resale will provide their vendor's licence number to the sub-consultants in order to acquire the services tax exempt.

Engineers, geoscientists and architects who provide taxable services to persons who are not acquiring the services for resale must collect the tax from their client, as applicable.

**D. CONTRACT ADMINISTRATION SERVICES**

Contract administration services generally refer to the work of an engineering or architectural consultant who is a representative of the customer/owner and ensures that the final construction is in general conformance with the contract documents. This includes services such as the following:

- periodic visits to the site to become familiar with and advise the owner on the progress and quality of the construction work;
- provide guidance in the interpretation of contract documents;
- ensure the construction work is in general conformance with contract documents; and,
- examine progress claims in order to recommend/approve progress payments.

These services are not subject to PST providing they do not form part of construction services or construction management services.

**E. CONSTRUCTION MANAGEMENT SERVICES**

Effective April 1, 2017, PST applies to services to real property. Taxable services include the construction, alteration, repair, erection, demolition, remodeling or improvement of real property or a building or other structure on real property.

Services in the nature of construction management services are subject to tax on the total charge. The 30% formula for design services outlined in Section B does not apply.

Construction management services generally refer to the coordination of procurement and construction work, and include services such as the following:

- employ and schedule tradesmen;
- schedule shipments of materials;
- track materials and costs; and,
- on-site supervision.

**F. COMMISSIONING SERVICES**

Commissioning services generally refers to engineering consultant services such as the following:

- conduct inspections of equipment and systems to ensure properly installed, tested and maintained;
- conduct performance tests to ensure systems are integrated and operational at the intended capacity; and,
- participate in safety, hazard and risk analysis and assessment for personnel, equipment and environment.

These services are not subject to PST providing they do not form part of construction services or construction management services.

**G. CONTRACTORS AND DESIGN/BUILD PROJECTS**

When a contractor or builder acquires the services of an engineering or architectural consultant as part of providing services to real property, including the provision of a completed design/build project, they may quote their vendor's licence number to the engineer or architect in order to acquire these services exempt from PST. The contractor or builder is required to collect PST on the total contract price to the customer.

For further reference regarding services to real property, please see Information Bulletin [PST-12, Information for Businesses Providing Services to Real Property](#).

**H. DESIGN OF TANGIBLE PERSONAL PROPERTY**

The 30 per cent formula outlined in Section B above does not apply to charges from an engineering firm for fees to design and/or provide technical specifications for the manufacture of Tangible Personal Property (TPP). The PST on these fees is accounted for by one of the following two methods:

- Consumers who manufacture goods or have the goods manufactured by a third party for their own use are required to pay the tax on the total cost to produce the goods, including the engineering design services.
- Licensed vendors who acquire engineering design services for the design of TPP for resale are not required to pay tax on the acquisition of these services as they will collect tax, as applicable, on the total selling price to the customer. They may quote their vendor's licence number to the supplier in order to purchase these services exempt from PST.

**I. COMPUTER SERVICES**

**Designing Software/Systems**

Engineering services related to the development, assembly, installation, maintenance, modification, configuration, upgrading, or testing of computer programs, systems or networks, and

including the sale of software and hardware, are subject to PST on the total charge to the customer. This includes computer services provided in relation to electronic systems and control systems such as Supervisory Control and Data Acquisition systems (SCADA). For PST purposes these charges are taxable as computer services, therefore the 30 per cent formula for engineering design services does not apply.

Please see Information [Bulletin PST-7, Information for Suppliers of Computer Hardware, Software and Computer Services](#) for further reference.

### **Seismic Data Processing and Geoscience Services**

Fees charged for processing and digitizing seismic data are subject to PST on the total charge as taxable computer services. This includes charges from data processing and/or geoscience firms for the entry and processing of seismic data via a computer program, to enhance the data and/or produce a map or 3D image of the data findings.

Fees charged by a geoscientist to complete survey work, gather exploration data and to provide their professional judgment in connection with the use or interpretation of seismic data are not subject to tax.

## **J. EXEMPT SERVICES**

The following services are not subject to PST:

- Services related to facilities or projects located outside Saskatchewan.
- Engineering, geoscience and architecture services that are in the nature of feasibility studies, environmental studies, general consulting or advisory services.
- Services provided to federal government departments or agencies. There is no exemption for taxable services provided to federal crown corporations and provincial government ministries, agencies and crown corporations.
- Services provided with respect to a facility or project on a reserve if purchased by a Status Indian, an Indian Band or a band-empowered entity that is engaged in a non-commercial enterprise (building schools, churches, health centres). Status Indians must present a Certificate of Indian Status Identification Card number issued under the Indian Act (Canada). The 10-digit identification number must be recorded on the client's invoice and in the vendor's records. Services provided with respect to a commercial corporation operating on an Indian reserve are taxable.
- Services related to the exploration of oil, natural gas, potash, or minerals. Services related to the development, maintenance, and enhancement or decommissioning of these production facilities are subject to tax.

## **K. 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.

**Note:** Non-resident businesses please see Information Bulletin [PST-38, Information for Non-Resident Real Property and Service Contractors](#) for detailed information regarding the calculation of PST on taxable vehicles and equipment brought into Saskatchewan temporarily from out of province.

#### **L. SALES OF USED BUSINESS ASSETS**

Businesses are required to collect tax on the sale of used assets, such as vehicles and equipment. When used assets are being sold as part of the transfer or closure of a business, the purchaser of the assets is required to self-assess and report 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 reference please see Information Bulletin [PST-58, Information on the Taxation of Used Goods](#).

#### **M. TAX CREDIT FOR BAD DEBTS**

Businesses may claim a credit for the tax portion of their receivables that are written off as uncollectible. The tax credit should be taken as an internal adjustment in the business's records. Records of the accounts written off and tax credits claimed must be kept for audit verification by the Revenue Division.

#### **N. 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)

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