

THE PROVINCIAL SALES TAX ACT

CONTRACTORS/BUILDERS AND PROVINCIAL SALES TAX ON INSURANCE

This notice has been prepared to assist you in understanding the application of Provincial Sales Tax (PST). It is a general guide and not a substitute for the legislation.

A contractor or builder is required to pay Provincial Sales Tax (PST) on taxable contracts of insurance. A contractor or builder is not a vendor of insurance contracts and may not purchase a contract of insurance exempt from PST as a resale item that is sold to a principal.

In certain instances, and for certain types of insurance the contractor or builder may purchase insurance on behalf of, or as the agent for, a principal (customer) where the expense of the contract of insurance is to be passed on to the principal and the principal is named as the beneficiary. For such insurance products, PST must be paid on the purchase of the insurance contract and passed on to the principal as a tax-included item. The contractor or builder is not required to collect PST on this item, providing it is listed and identified separately on the invoice.

Examples of this type of insurance product include surety bonds and new home warranty insurance, as outlined below.

Surety Bonds

A surety bond protects a principal against losses, up to the limit of the bond, should the contractor fail to perform their obligations under the contract. The contractor purchases the bond at the request of the principal, who is the beneficiary of the bond. The principal will then reimburse the contractor for this expense.

Since a surety bond provides protection to the principal against loss should the contractor default, it is considered an insurance product and the fees and/or premiums paid by the contractor to acquire the insurance are subject to PST.

New Home Warranty Insurance

New home warranty insurance provides a third party guarantee of the builder's warranty, covering the builder's warranty obligations should the builder default. The coverage is purchased by the builder prior to construction, as an agent for the new home purchaser, and typically includes deposit protection, workmanship and materials protection, water leaks protection and major structural defects protection.

Since the new home warranty provides protection to the new home purchaser against loss or liability with respect to the construction of a new house, it is considered an insurance product and the fees and/or premiums paid by the builder to acquire the insurance are subject to PST.

Other Taxable Insurance Products

Other taxable contracts of insurance that may be purchased by contractors or builders, such as general liability insurance and business interruption insurance, are also subject to PST. As with other inputs such as vehicles, tools and equipment, any charges to the customer for these items are subject to PST as part of the total contract price, whether they are listed and identified separately on the invoice or not.

Please see Information Bulletin [PST-73, Vendors of Insurance Contracts](#) for further information regarding the application of PST to contracts of insurance. For further information regarding the application of PST to real property services please see Information Bulletin [PST-12, Services to Real Property](#).

FOR FURTHER INFORMATION

| | | | |
|---------------|--|-------------------|--|
| <u>Write:</u> | Ministry of Finance Revenue Division PO Box 200 REGINA SK S4P 2Z6 | <u>Telephone:</u> | Toll Free 1-800-667-6102 Regina 306-787-6645 |
| | | <u>Email:</u> | sasktaxinfo@gov.sk.ca |

Internet: Tax bulletins, forms and information are available at saskatchewan.ca/business-taxes.

Government website: Saskatchewan.ca