

Information Bulletin

PST-37

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THE PROVINCIAL SALES TAX ACT

MANUFACTURED COST OF GOODS PRODUCED FOR OWN CONSUMPTION

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.

When businesses produce goods internally for own consumption or use, 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 goods using one of the methods outlined below. Detailed records must be maintained for input costs related to all steps in the manufacturing process.

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

(a) If specific cost records are available, account for the tax on the total of the following costs (excluding the GST and the PST paid on materials):

- Direct materials
- Direct labour
- All overhead costs

Examples of costs included in manufacturing overhead are:

- Indirect factory supplies
- Indirect labour, such as for equipment maintenance
- Employment insurance, pension plan expenses, Worker's Compensation premiums and other fringe benefits on direct and indirect labour
- Fire insurance on factory buildings and equipment
- Salaries of factory personnel, including supervisory, that are directly connected with the factory operation but excluding general office, selling and management salaries
- Rental of factory buildings and equipment
- Depreciation on factory buildings and equipment
- Factory property taxes, excluding office portion

- Factory light, heat and power, excluding office portion
- Royalties, where not included as part of direct materials
- Amortization of patent
- Engineering, pattern, and drafting costs

(b) If specific cost records are not available, the tax may be accounted for on the total of the following costs (excluding the GST and the PST paid on materials):

- Direct material
- Direct labour
- One hundred and fifty per cent (150%) of the cost of direct labour

FOR FURTHER INFORMATION

Write: Ministry of Finance
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Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

Email: sasktaxinfo@gov.sk.ca

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

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