

Chapter 11

Finance—Enforcing Provincial Sales Tax Legislation

1.0 MAIN POINTS

The Ministry of Finance is responsible for assessing and collecting provincial sales tax (PST) of over \$3 billion annually. It uses key enforcement strategies such as PST audits and collection activities to promote compliance with PST legislation and collect taxes owing timely. For example, in 2024–25 Finance assessed \$55.9 million of PST revenue from audits.

By December 2025, Finance implemented four out of the six recommendations we first made in 2022 about enforcing compliance with PST legislation.

We found Finance set expected timeframes for supervisory review and approval of key enforcement activities such as PST audits and communicating audit results to taxpayers. Finance began tracking key information (e.g., when billing letters from audits get sent to taxpayers and by whom) in its revenue IT system. We also found Finance clearly documented its key judgments for selecting taxpayers for audit and maintained adequate support for the risk levels assigned to tax collections cases.

Finance still needs to further analyze key trends of non-compliance over time (e.g., five years) to determine the impact of its enforcement activities, and perform more robust analysis and reporting to senior management on differences between planned and actual enforcement activity results. Without robust analysis of key trends of non-compliance, Finance may not know whether its enforcement activities affect taxpayer behaviour and promote compliance with PST legislation. Without adequate analysis of enforcement activity results, Finance may not adequately adapt its enforcement strategies and sufficiently collect the PST it is owed.

Taxes collected, such as PST, help pay for critical services like healthcare and education.

2.0 INTRODUCTION

2.1 Background

Under *The Revenue and Financial Services Act*, the Ministry of Finance is responsible to assess and collect taxes, including levying fines, penalties, and interest where necessary in accordance with the Act.¹

The Provincial Sales Tax Act sets out the framework for imposing and collecting provincial sales tax (PST) from taxpayers (e.g., for the purchase of specific goods such as vehicles and clothing), users of tangible personal property (e.g., leasing of property), and certain services (e.g., construction, legal, real estate).

¹ *The Revenue and Financial Services Act*, sections 10(2), 49, and 50.



Saskatchewan’s Provincial Budget 2025–26 estimates \$10.4 billion in tax revenue, including \$3.3 billion related to PST (approximately 32% of total tax revenue).² As shown in **Figure 1**, the amount of PST revenue has grown over the last six years, and the amount of PST owed but not paid at March 31 amounted to 10%–13% of total PST revenue.

Figure 1—Saskatchewan PST Revenue Information from 2019–20 to 2024–25

Fiscal Year	PST Revenue	Gross Unpaid PST at March 31 (Accounts Receivable)	Accounts Receivable as a % of PST Revenue	PST Amounts Written-Off ^A
	(in millions)			(in millions)
2024–25	\$3,139.6	\$418.4	13.3%	\$1.9
2023–24	2,894.3	338.8	11.7%	2.2
2022–23	2,721.9	322.6	11.9%	2.2
2021–22	2,383.0	283.9	11.9%	2.6
2020–21	2,138.2	275.8	12.9%	3.9
2019–20	2,205.8	231.0	10.5%	1.2

Source: Adapted from Government of Saskatchewan *Summary Financial Statements* for 2019–20 to 2024–25 and Ministry of Finance financial records.

^A A write-off is an amount of PST revenue Finance determined it cannot collect.

Finance’s Revenue Division is responsible for administering its tax programs, including PST. Its role is to ensure the Government receives all the taxes due and does so in a way that treats taxpayers fairly. This includes promoting compliance with the provisions of *The Provincial Sales Tax Act* and related regulations, using audits to ensure taxpayers remit the proper amount of PST, and taking action to collect unremitted amounts due.

The Revenue Division spent \$24.9 million in 2024–25 (2023–24: \$26.0 million) to administer its tax programs.³

2.2 Focus of Follow-Up Audit

This chapter describes our first follow-up audit of Finance’s actions on the recommendations we first made in 2022.

We concluded, for the period ended December 31, 2021, the Ministry of Finance had effective processes to enforce compliance with provincial sales tax (PST) legislation except for areas in our six recommendations.⁴

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate Finance’s progress toward meeting our recommendations, we used the relevant criteria from the original audit. Finance management agreed with the criteria in the original audit.

To carry out our follow-up audit, we discussed actions taken with Finance staff, and examined guidance for setting expected timeframes for completing key tasks and for selecting taxpayers for PST audits. We also reviewed periodic reports to senior

² Government of Saskatchewan, *2025–26 Provincial Budget*, p. 83.

³ Ministry of Finance, *Annual Report for 2024–25*, p. 20.

⁴ *2022 Report – Volume 2, Chapter 9*, pp. 75–98.

management as well as tested a sample of PST audits and collection activities to confirm Finance conducted them in accordance with established guidance (e.g., audit results approved and communicated to taxpayers timely).

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at December 31, 2025, and the Ministry of Finance's actions up to that date.

3.1 Continued Analysis of Key Non-Compliance Trends Needed to Determine Impact of Enforcement Activities

We recommended the Ministry of Finance annually analyze key trends of non-compliance (e.g., tax gaps, tax collected but not reported) with provincial sales tax legislation to help it select and prioritize its enforcement activities. (2022 Report – Volume 2, p. 85, Recommendation 1; Public Accounts Committee agreement February 25, 2025)

Status—Partially Implemented

The Ministry of Finance analyzed taxpayer non-compliance with PST legislation by completing a Compliance Assessment Review, developing a tax gap estimate calculation, and analyzing monthly PST return data. Finance needs to periodically determine whether its enforcement activities are having an impact on taxpayer behaviour (e.g., are activities having an impact on non-compliance rates identified in its initial compliance assessment). Finance also needs to further analyze its tax gap estimate over time (e.g., why amount is changing, are changes needed).⁵

Compliance Assessment Review

Finance completed a Compliance Assessment Review in 2023–24 using taxpayer data from 2021–22 and 2022–23 to help it better understand existing taxpayer compliance behaviour based on its key enforcement activities (e.g., audits, collection activities). This assessment included:

- Identifying Finance's key enforcement activities used to address taxpayer non-compliance
- Establishing categories of taxpayer non-compliance (i.e., intentionally non-compliant, compliant only if contacted, attempting to comply but with errors, willingly compliant) and outlining which enforcement activities may influence taxpayers' level of compliance

⁵ Tax gaps are the difference between the taxes that would be paid if all obligations were fully met in all instances, and those that are actually received and collected. As a concept, it can encompass revenues lost to tax evasion, taxpayer error, and unpaid liabilities. www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/corporate-reports-information/tax-gap-overview.html (23 February 2026).



- Analyzing taxpayer data to determine common characteristics of taxpayers who fall into each category of non-compliance
- Recommendations related to each key enforcement activity to increase taxpayer compliance

We found Finance used the assessment results to determine the overall level of compliance for registered taxpayers (i.e., percentage of registered taxpayers who fall into each category) as well as to adjust certain enforcement activities (e.g., improve audit selection).

While Finance completed this assessment based on information available at a point in time (i.e., 2021–22 and 2022–23) and began adjusting some enforcement activities as a result, it has yet to determine whether its enforcement activities impacted key trends of non-compliance over time (e.g., did activities conducted after this assessment increase or decrease the level of taxpayer compliance). Finance management indicated they plan to use the assessment results as a baseline to evaluate changes in taxpayer behaviour.

In addition, Finance primarily completed the Compliance Assessment Review using registered taxpayer data, therefore offering limited insight on non-compliance for unregistered taxpayers. Finance needs to analyze other good indicators of non-compliance, such as a tax gap estimate, to better understand the level of non-compliance among unregistered taxpayers.

Tax Gap Estimate

Finance developed a reasonable methodology for calculating a tax gap estimate. While it calculated a tax gap estimate for 2020–2024 in early 2026, it has yet to perform in-depth analysis (e.g., why amount is changing, are changes needed). Finance management indicated they plan to calculate and use this tax gap estimate on an annual basis to help analyze key trends of non-compliance.

Monthly PST Data

Finance also analyzes monthly data that may be indicative of non-compliance with PST legislation (e.g., year-over-year comparisons of PST revenue, payments, delinquent tax returns).

Finance reports the following monthly analysis to senior management:

- PST revenue reported and received for the current and prior year along with variances and explanations providing insight into whether Finance receives PST revenue as expected
- Number of PST returns received with full, partial, and no payments made for the current and prior year, which shows whether taxpayers file returns and make payments as expected
- Timely submission of PST returns by reporting on number of delinquent (late) PST returns and estimated PST showing year-over-year comparisons

We examined one monthly report and found it contained the information expected including analysis and explanations for year-over-year variances.

While this monthly analysis provides some information on trends of non-compliance, it provides limited insight into trends over the longer term and does not consider other key indicators (analysis of tax gaps, tax collected but not reported by taxpayer) of non-compliance.

Finance also prepared a Revenue Enforcement Strategy in 2023 indicating it analyzed historical and jurisdictional trends to identify sectors with the highest risk for non-compliance, but it did not document this analysis.

Continuing to periodically assess taxpayer behaviour associated with key enforcement activities and use tax gap analysis will help Finance have more robust analysis of non-compliance trends over time and determine whether its enforcement activities have the intended impact on taxpayer non-compliance.

3.2 Expected Timeframes Established for Timely Review and Communication of Audit Results

We recommended the Ministry of Finance set out expected timeframes for:

- ***Supervisory review and approval of provincial sales tax audits and education/outreach activities***
- ***Communicating provincial sales tax audit and education/outreach activities results to taxpayers***

(2022 Report – Volume 2, p. 88, Recommendation 2; Public Accounts Committee agreement February 25, 2025)

Status—Implemented

The Ministry of Finance set expected timeframes for supervisory review and approval of audits, and for timely communication of audit results to taxpayers in its audit manual and other guidance to staff. For PST audits we tested, supervisors approved audit results and staff communicated those results to taxpayers timely.

Finance expects supervisors to approve PST audit results within 15 days of staff requesting approval and for staff to communicate results to taxpayers within five days of supervisory approval. We found these established timeframes reasonable.

In 2025, Finance adjusted their strategy of using education/outreach visits to assess whether taxpayers owe PST because of non-compliance with tax legislation. While Finance continues to perform education and outreach activities, it now also carries out scoped audits where staff conduct audit work focused on a specific area of risk (e.g., assets) rather than all of the taxpayer's records (i.e., a standard audit would look at all the records). The established timeframes (i.e., 15 days) for supervisory review and approval as well as communicating results apply to both standard and scoped audits.



Our testing of 35 PST audits (standard and scoped audits) found 34 had supervisory review and approval within established (i.e., 15 days) timeframes. We found one standard audit where supervisory review and approval occurred outside Finance’s expected timeframe (i.e., approval was provided 32 days after it was requested); however, staff sufficiently reported the delay to senior management.

We also found for all 35 PST audits tested, Finance provided timely communication of audit results to taxpayers (i.e., within five days of supervisory review and approval).

Finance also monitors whether supervisors approve audit results timely overall. For example, it prepares monthly reports showing all standard audit results approved and days taken for approval. The report highlights for senior management where approval took more than 30 days. We tested two monthly reports and found one report with no PST audits where approval took more than 30 days, and one report had one PST audit where approval took 39 days.

Setting expectations for timely supervisory approval and communication of PST audit results to taxpayers helps reduce delays in completing these activities and in pursuing any taxes owing.

3.3 Key Judgments for Selecting PST Audits Documented

We recommended the Ministry of Finance clearly document its key judgments when selecting taxpayers for provincial sales tax audits.

(2022 Report – Volume 2, p. 91, Recommendation 3; Public Accounts Committee agreement February 25, 2025)

Status—Implemented

The Ministry of Finance clearly documented its key judgments when selecting taxpayers for standard PST audits.

Finance uses audits to promote compliance with PST legislation. In 2024–25, Finance assessed \$55.9 million in revenue from its standard PST audits. See **Figure 2** on the number of audit activities and revenue generated from those activities.

Figure 2—Standard PST Audit Activities

	2021–22	2022–23	2023–24	2024–25
Number of audits completed	1,214	1,648	1,445	1,463
Planned PST revenue assessed from audits (in millions)	\$28.0	\$31.0	\$33.5	\$56.3
Actual amount of PST revenue assessed from audits (in millions)	\$47.0	\$55.1	\$40.5	\$55.9
Benefit-cost ratio ^A	718%	816%	589%	751%

Source: Information provided by the Ministry of Finance.

^A The value of audit and compliance activities in relation to the cost of performing those activities (i.e., incremental revenue generated for each dollar spent on audit and compliance).

Finance continues to use a risk-based audit selection model to select individual taxpayers for audit. It established a process in 2023 to document its judgments when selecting taxpayers for PST audits based on its risk-based audit selection model.

Finance uses taxpayer information from its revenue IT system to determine and analyze a weighted risk score for each taxpayer based on factors documented in its Risk Scoring Manual (e.g., new business, asset additions, delinquent returns) in determining whether it should select a taxpayer for audit. It documents reasons for selecting or not selecting a taxpayer for audit in a database. Finance completes this process annually and updates it throughout the year as new information becomes available, ensuring it uses the most current taxpayer information when determining risk scores. Finance also continues to randomly select taxpayers for audit in addition to its risk-based selection model.

We examined 30 PST audits and found Finance sufficiently documented its rationale for selecting each taxpayer for audit. We also selected 30 taxpayers with higher risk scores and found Finance sufficiently rationalized why it had not selected those taxpayers for audit (e.g., it will not select taxpayers for audit if they have active collections or they declared bankruptcy).

Documenting key judgments when selecting taxpayers for PST audits helps Finance to demonstrate it uses a fair and reasonable process in selecting certain taxpayers for audit.

3.4 Key PST Audit Communications Tracked

We recommended the Ministry of Finance track key information in its revenue IT system regarding communication of provincial sales tax audit results (i.e., when billing letters are actually sent and by who). (2022 Report – Volume 2, p. 94, Recommendation 4; Public Accounts Committee agreement February 25, 2025)

Status—Implemented

The Ministry of Finance tracks key information in its revenue IT system on communication of standard PST audit results (i.e., when billing letters are sent and by whom).⁶

We found Finance provided reasonable guidance to staff in its audit manual on what information about audit results communicated to taxpayers they should document in PST audit files. Finance's guidance to staff requires staff to track the following information in its revenue IT system:

- Emails sent to taxpayers that include the audit results and billing letter, or
- Documentation in the taxpayer's contact log describing who contacted the taxpayer and points of discussion

⁶ Our recommendation only applied to standard PST audits as we did not identify issues with tracking key information for education/outreach activities in our original audit. The Ministry of Finance now conducts scoped audits in addition to education/outreach visits.



We tested 30 standard PST audits and found the audit files in the revenue IT system contained sufficient information about the communication of audit results to taxpayers (e.g., included who communicated the audit results to the taxpayer and when, either in contact logs or emails sent to taxpayers).

Maintaining evidence to support when standard audit results are communicated (i.e., when billing letters are sent) helps Finance demonstrate it communicates with taxpayers timely and allows senior management to monitor timeliness of communications. Timely communication can help promote improved compliance by taxpayers and earlier payment of amounts owing.

3.5 Support for Collection Risk Assessments Documented

We recommended the Ministry of Finance clearly document support for the level of risk assigned to provincial sales tax collection cases. (2022 Report – Volume 2, p. 94, Recommendation 5; Public Accounts Committee agreement February 25, 2025)

Status—Implemented

The Ministry of Finance updated its revenue IT system to assign collection risk scores to PST collections cases. It uses this information to prioritize its collection efforts.

Finance identified key factors it considers when determining its risk of collecting amounts owing from taxpayers (e.g., outstanding balance of tax owing, duration of outstanding balance, previous PST return filing delinquencies). It uses its revenue IT system to assign a collection score to each taxpayer based on those factors and classifies taxpayers as high, medium, or low risk depending on the collection score (e.g., a score greater than 100 is considered high risk). Finance documented these factors and risk levels in its Collections Scoring Manual.

We analyzed PST collections cases outstanding at December 31, 2025, and found the collection scores and level of risk assigned (i.e., high, medium, low) to each case generally consistent with the scoring requirements and risk levels established.

We specifically examined 12 collections cases in more detail and found the collection score and risk level assigned to each taxpayer reasonable.

Finance uses these risk scores to inform the collection activities it undertakes (e.g., low-risk: automated filing reminders and statements of account sent; moderate-risk: payment arrangements; high-risk: targeted collection action by phone and letter). Finance focuses its collection activities on medium and high-risk cases. We examined 12 high and medium-risk collection cases and found collections officers conducted reasonable activities based on the assigned collections score. We also found supervisors and managers sufficiently monitored these activities (e.g., ensured enforcement strategies performed consistent with the level of risk based on established guidance in its Collections Scoring Manual).

Having clearly documented support for the level of risk assigned to collections cases can help Finance prioritize its collections activities and ensure staff take appropriate actions at the right time to collect tax owing.

3.6 Limited Documented Analysis of Enforcement Activity Results

We recommended the Ministry of Finance explain differences between planned and actual provincial sales tax enforcement results, and future actions needed, in its reports to senior management. (2022 Report – Volume 2, p. 97, Recommendation 6; Public Accounts Committee agreement February 25, 2025)

Status—Partially Implemented

The Ministry of Finance continues to periodically report results of certain enforcement activities to senior management. However, it does not consistently report reasons for variances from expectations and future actions needed to meet expectations.

Finance staff report the following to senior management outlining PST enforcement results:

- Monthly activity reports on certain results of enforcement activities. For example, these reports include the benefit-cost ratio, total amount of audit revenue assessed, total number of collections cases, and average age of collections cases
- Monthly reports showing year-over-year comparisons of PST revenue, payments, and delinquent tax returns. See **Section 3.1** describing these reports
- Mid-year and year-end performance reports including results of performance measures identified in annual branch plans (e.g., Audit Branch, Client Services and Compliance Branch)

We found monthly activity reports identify targets and variances between the target and actual; however, these reports did not provide explanations for targets not met (e.g., total amount of PST audit revenue assessed). In addition, while some mid-year and year-end reports for individual branches provided explanations of variances between planned and actual results, others did not include explanations for why targets were not met or what further actions are required. We also found no guidance exists requiring staff to perform and document such analysis.

Management indicated it is developing a compliance reporting framework that includes re-evaluating targets and performance measures reported to senior management and the public.

Without adequate analysis and reporting on results, and guidance to staff performing such analysis and reporting, it is difficult for Finance to determine why it did not achieve expected results, whether it is focusing its resources on the right areas, and how it should adapt enforcement strategies.

