

## BULLETIN 11

### APPLICATION OF VALUE ADDED TAXES TO “CCDC 4 - 1982 UNIT PRICE CONTRACT”

May 2003

In 1991, the government of Canada introduced a new tax, the Goods and Services Tax, (GST) to be added to the price of essentially every good and service purchased in Canada, and paid by the purchaser to the vendor. Several provinces soon followed suit with the introduction of similar taxes, under different names, such as the Harmonized Sales Tax (HST) and the Quebec Sales Tax (QST)

CCDC documents produced after 1991 refer to these taxes collectively as Value Added Taxes and define them as follows in CCDC 18 - 2001:

#### **Value Added Taxes**

*Value Added Taxes means such sum as shall be levied upon the Contract Price by the Federal or any Provincial or Territorial Government and is computed as a percentage of the Contract Price and includes the Goods and Services Tax, the Quebec Sales Tax, the Harmonized Sales Tax, and any similar tax, the collection and payment of which is by the Contractor as imposed by the tax legislation.*

Since the introduction of the Value Added Taxes, two CCDC contract forms have been revised (“CCDC 2 Stipulated Price Contract” and “CCDC 3 Cost Plus Contract”) and a new contract, (“CCDC 18 Civil Works Contract”) has been developed. All three state that the Contract Price excludes the Value Added Taxes, but that the Owner has to pay to the Contractor the Value Added Taxes in addition to the Contract Price.

“CCDC 4 - 1982, Unit Price Contract”, which was issued before the introduction of the Value Added Taxes, is therefore mute on how to deal with the Value Added Taxes. CCDC recommends to users of the “CCDC 4 -1982, Unit Price Contract” form that value added taxes be addressed in the same manner as the CCDC documents produced since 1991. It should be stated in an amendment to the standard CCDC - 4 document, that the Contract Price does not include Value Added Taxes, and that the total amount that the Owner has to pay to the Contractor is made up of both the Contract Price and the Value Added Taxes. Bidding forms to be used in conjunction with Unit Price Contracts should be designed to indicate that the bidders are required to submit bid prices which exclude the Value Added Taxes. All this information should be supplied in the Instructions to Bidders.

CCDC recommends that “CCDC 4 - 1982 Unit Price Contract” be amended to address Value Added Taxes by the addition of a page to the contract form that would read as follows:

**AMENDMENT TO “Standard Construction Document CCDC 4 - 1982 Unit Price Contract”**

to be used with the Work titled:

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*(insert above the name of the Work which is to be governed by the amended version of CCDC - 4)*

In the **DEFINITIONS** section of the document, add definition 17, to read:

**17. Value Added Taxes**

Value Added Taxes means such sum as shall be levied upon the Contract Price by the Federal or any Provincial or Territorial Government and is computed as a percentage of the Contract Price and includes the Goods and Services Tax, the Quebec Sales Tax, the Harmonized Sales Tax, and any similar tax, the collection and payment of which is by the Contractor as imposed by the tax legislation.

In the **GENERAL CONDITIONS** section of the document, delete all three paragraphs of GC 15 TAXES AND DUTIES and replace by:

**GC 15 TAXES AND DUTIES**

- 15.1 The Contract Price and all the Contract Unit Prices indicated in Article A-3 CONTRACT PRICE shall include all taxes and custom duties in effect at the time of the bid closing except for Value Added Taxes which, in addition to the Contract Price, are payable by the Owner to the Contractor.
- 15.2 Any increase or decrease in costs to the Contractor due to changes in such included taxes and custom duties after the time of bid closing shall increase or decrease the Contract Price and the Contract Unit Prices accordingly.
- 15.3 Where an exemption or recovery of taxes or custom duties is applicable to the Contract, the procedure shall be as established in the Supplementary Conditions.

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