

PROMPT PAYMENT FOR

ANNUAL RELEASE OF HOLDBACK

Section 22 of the Construction Act requires each “payor” on a construction contract to hold back 10% of the price of the services or materials as they are **actually supplied** under the contract. We call this the basic holdback.

For contracts that last more than one year, the owner needs to make an interim distribution of holdback shortly after each anniversary of the contract. The process for annual release of holdback is explained below.

For contracts **entered into** on or after January 1, 2026, the owner will make its first annual distribution of holdback shortly after the first anniversary of the date that the contract was entered into.

Within 14 days after the first anniversary of the contract, the owner will publish a Notice of Annual Release of Holdback in Form 6 in a construction trade news website specifying the amount of holdback that it intends to release.

Between 60 and 74 days after the Notice of Annual Release of Holdback **is published**, the owner shall pay the contractor the amount of holdback specified in the Notice **unless** a claim for lien is preserved or perfected in respect of the contract.

Not later than 14 days after the contractor receives payment of the holdback from the owner, the contractor will pay each of its subcontractors their holdback **unless** a lien is preserved or perfected in respect of the subcontract. Similarly, the subcontractor will pay its sub-subcontractors and suppliers their holdback within 14 days of the date that it receives payment from the contractor.

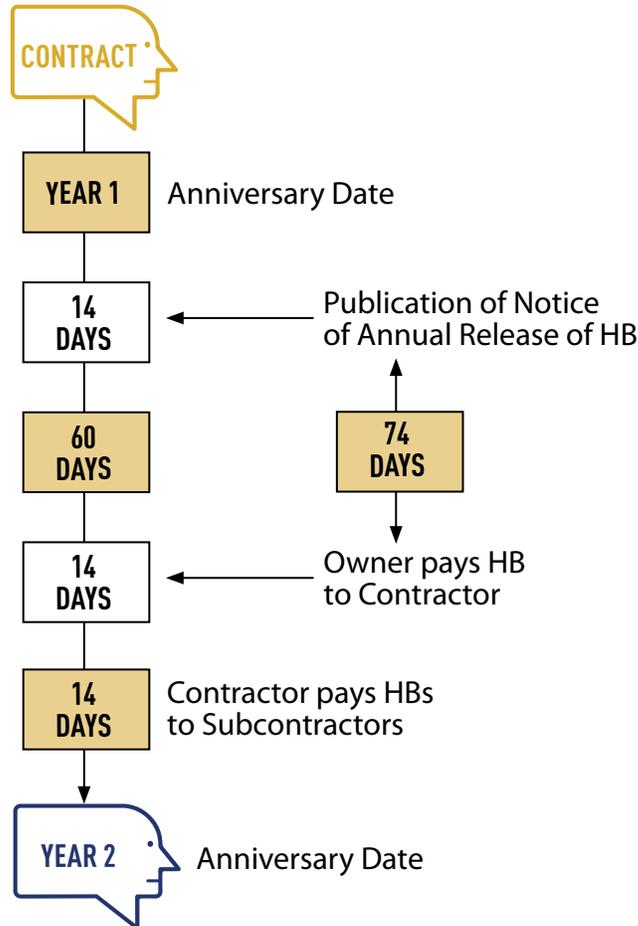
If applicable, the owner will make further interim distributions of holdback on the second and subsequent anniversaries of the contract.

On the following page is an infographic illustrating the process and timeline for the annual release of holdback.



This infographic illustrates the process and timeline for the annual release of holdback:

Mandatory Annual Release of Holdback



Did you know?

Subcontractors should ask the contractor at the outset for the anniversary date of the prime contract

For contracts **entered into** before January 1, 2026, the owner will make its first annual distribution of holdback on the **second** anniversary of the contract after January 1, 2026. So, for example, for a contract **entered into** on December 31, 2025, the owner must publish its first Notice of Annual Release of Holdback within 14 days of December 31, 2027.

At the end of a multi-year contract, the owner will release the remainder of the holdback when all liens that may be claimed against the holdback have expired, the same way it would for a contract that lasts less than one year. **See the fact sheet "How does the Basic Holdback Work"** for an explanation of when the final installment of holdback is released.



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Disclaimer: This fact sheet is intended to provide information to the industry at large and should not be considered legal advice. Contact a lawyer to find out how Prompt Payment and Adjudication may apply in your particular circumstances.