

INSIGHT BRIEF · CONSTRUCTION

Retainage and Holdback: Tracking Both Directions

A plain-English brief on how retainage works under Ontario's Construction Act, why spreadsheet tracking loses real money, and what native retainage tracking looks like in a modern ERP.

Bill \$100,000 on a typical Ontario job and 10% is held back by default under the Construction Act. You collect \$90,000, and the remaining \$10,000 waits: per job, per contract, sometimes for a year or more.

Multiply that by every open job and retainage is often one of the largest receivables a contractor carries. It is also, in many back offices, the least tracked.

Why spreadsheets lose this money

Retainage tracking fails at the handoffs. The amount held is calculated at billing time, recorded in one spreadsheet, and then nothing happens for months. The person who built the tracker moves on, the job closes, and the release date arrives with nobody watching for it.

The failure is rarely the math. It is the calendar. A release that nobody invoices for is earned money that simply never arrives, and busy back offices miss releases every year.

It runs in both directions

Owners hold retainage on you, and you hold retainage on your subcontractors. Both sides need tracking, because both sides carry risk.

- Held on you: an asset you need to collect on time, every release.
- Held by you: a liability you need to release correctly, or you damage sub relationships and invite disputes.
- Both: an audit trail matters when a job ends in disagreement.

What native tracking looks like

In a construction ERP, retainage is not a side calculation. It is a property of the billing itself. Each progress bill records what was billed, held, and released, per job and per contract, and the numbers flow to the GL without re-keying.

- Retainage receivable and payable visible per job, at any moment
- Release events that generate the invoice, not a reminder to build one
- Both directions reported side by side for cash forecasting
- History that survives staff turnover, because it lives in the system of record

Three questions to ask this week

- What is our total retainage receivable right now, across all open jobs? If the answer takes more than a few minutes, that is the finding.
- When is our next release date, and who owns invoicing for it?
- How much retainage are we holding on subs, and would we survive an audit of it?



Questions about any of this?

Summit Business Systems has been implementing ERP for Ontario businesses since 1991. We are an Acumatica Gold-Certified Partner based in Barrie, working with construction, field service, distribution, and professional services companies across the province. If you want a second opinion on anything in this insight brief, we give straight answers.

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