

THE RETAIL SALES TAX ACT

SUMMARY OF TAXABLE AND EXEMPT GOODS AND SERVICES

This bulletin will help you apply and collect the Retail Sales Tax (RST) on goods (tangible personal property -TPP) and services. While a summary of both taxable and exempt goods and services is provided for your reference, the focus of this bulletin is on the types of goods that are exempt and the types of services that are taxable under the Act. A summary of tax refunds and rebates available under the Act is also provided.

Section 1 – GENERAL INFORMATION

- Taxable goods and services are taxed at the rate of 7 per cent at the time of purchase with the tax calculated on the selling price before the Goods and Services Tax (GST) is applied.
- Tax is generally payable on the purchase of most goods, except for goods specifically exempted by the Act. A summary of items exempted by the Act is provided in Section 3.
- Sales tax is generally not payable on services unless the service is specified as a taxable service in the Act. A summary of taxable services is provided in Section 4.

Please note: When services that are not specified in the Act are purchased together, or in connection, with taxable goods or taxable services, the cost of these services becomes part of the purchase price of the taxable goods/services and is also taxable.

- The sale of real property or the purchase of services to real property, such as construction, repairs, renovations or maintenance, is not subject to tax. When materials are used in the provision of a service, or incorporated into real property, the provider of the materials (usually the contractor) is the consumer of the materials and is required to pay the tax on the purchase price of the materials. See Bulletin No. 005 – *Information for Contractors*, for additional information.

Please note: M&E systems (see definition of TPP in Section 2) do not become real property but remain tangible personal property even when attached to land, buildings or structures. In this case, RST applies to the total contract price to install or repair an M&E system, but the M&E contractor may purchase the materials RST exempt. See Bulletin No. 031 – *Mechanical and Electrical Trades*, for additional information.

Note: Revisions to content of previous Bulletin (April 2011) have been identified by shading ().

When real property is sold (e.g., a house), RST does not apply to M&E systems that are affixed to real property at the time of the sale.

Section 2 – DEFINITIONS

Tangible personal property

- Tangible personal property is generally;
 - Goods that can be seen, weighed, measured, felt, or touched, or that are in any other way perceptible to the senses, such as clothing, vehicles, furniture, equipment and generally all other moveable goods, but does not include intangible property or real property.
 - Machinery, equipment, apparatus, or storage structures (that are not buildings, ex: warehouses or grain elevators) that are installed in, or attached to, buildings or land and that are used in the manufacturing, producing, processing, storing, handling, packaging, displaying, transporting, transmission or distribution of tangible personal property, or in providing a service.
 - Plumbing, heating, cooling, electrical, electronic and telecommunication systems and components installed on, under or in, or attached to, land, buildings or structures (known as M&E systems).
 - Computer software as defined in the Act, including any document or manual designed to facilitate the use of the software.
 - Electricity.

Intangible property

- Intangible property includes such items as investments in stocks, contractual rights, goodwill, patents, trademarks and other similar property.

Real property

- Real property commonly consists of land and buildings. Some examples of real property are homes, roads, bridges, fences and parking lots.

Please note: M&E systems remain TPP even when attached to land or buildings (see definition of TPP above).

- See Bulletin No. 008 - *Installation, Repairs & Improvements To Real Property*, for additional information on how the sales tax applies to real property contracts.

Section 3 – TANGIBLE PERSONAL PROPERTY

- Taxable TPP** • Generally all goods are taxable except those specifically exempted by the Act.

Examples of taxable goods are:

Clothing, jewellery, snack foods, prepared foods and beverages, automobiles, furniture, building materials, alcohol, cigarettes, equipment, tools, M&E components, household appliances, toys, musical instruments and sports equipment (not a complete list).

- Goods purchased from out of province, including charges for freight or postage, services, levies, taxes (except GST), currency exchange and any charges whatsoever in connection with a transaction to acquire goods.
- Goods manufactured, processed, produced or removed from inventory by a person for their own use.

**Tax exempt
TPP**

THE FOLLOWING ITEMS ARE EXEMPTED FROM RETAIL SALES TAX:

Please note: An asterisk (*) following an item means a use-certificate must be obtained from the farmer/fisher/trapper by the seller certifying that the goods will be used for that purpose.

- Agricultural feeds.
- Aircraft registered by the government or commercial aircraft that are used solely to transport passengers or freight for a fee. Repair and other services to those aircraft are also exempt. In addition, goods such as food and beverages provided by a commercial air carrier to its passengers during a flight can also be purchased exempt.
- Ambulances, including permanently installed radio equipment. Exemptions for medical equipment and supplies also apply when these goods are carried on ambulances. See Bulletin 002 - *Drugs, Medical Equipment and Supplies for Human Use* for further information.
- Animals that are, or produce, food or drink for humans.
- Bags (and related ties), designed and purchased for use as sandbags, filled sandbags, flood tubes, and cage flood barriers for flood control.
- Barbed wire, farm, hog, sheep and poultry fence, when purchased for farm use*.
- Binder twine, baler twine and baler wire.
 - Biomass products made 100% from wood, wheat, flax, oats, barley, sunflower, hemp or corn, when purchased for use as a fuel for heating or cooking.
- Books printed, bound and with a distinct cover (with permanent bindings or punched loose leaf pages) or books on audio or electronic media that are produced for use by the general public, published solely for educational, technical, cultural or literary purposes and that contain no advertising. The exemption includes educational workbooks - see *Information Notice - Exemption for Educational Workbooks* for further information.

Please note: Documents or manuals designed to facilitate the use of taxable computer programs, such as packaged or pre-written software do not qualify for exemption as books
- Catalysts used directly in manufacturing.

- Children's clothing and footwear priced at \$150 or less, that are within specified children's size ranges or that are larger than the stated sizes but certified by the purchaser in writing to be for a child under 15 years of age.

Please note: Disposable diapers for babies and young children are taxable. See Bulletin No. 001 – *Clothing, Footwear and Accessories*, for additional information.

- Commemorative coins used as currency and whose selling price does not exceed the face value stated on the coin.
- Commercial fishing boats, fishing nets, and other apparatus used for commercial fishing*.
- Containers purchased by farmers or fishers (or by a co-operative of farmers or fishers) and used for transporting agricultural produce or fish directly from the producer*.
- Custom-developed computer software. See Bulletin No. 033 – *Computer Software and Programming Services*, for additional information.
- Diabetic supplies such as hypodermic needles, syringes, insulin infusion pumps, test strips to measure blood glucose levels, lancets, lancing devices and blood glucose monitors. See Bulletin No. 002 – *Drugs, Medical Equipment and Supplies for Human Use*, for additional information.
- Dies, jigs, moulds and patterns that are used directly in manufacturing processes, including repairs and other services to them.
- Direct agents, as defined in *The Retail Sales Tax Regulation*, which are used directly in manufacturing processes or directly in providing a taxable service. The exemption includes repairs and other services to direct agents.
- Drill bits and explosive materials purchased and used for exploration for minerals or for mine development activities applicable to metallic mining.
- Drill rigs, certain well-servicing equipment and qualifying chemicals used in oil or gas exploration and development. See Bulletin No. 045 – *Oil Producers, Oil Well Drilling and Service Contractors*, for more information.
- Drugs and medicines for farm horses and livestock used directly in farm production*.
- Drugs for human use when sold on prescription. See Bulletin No. 002 - *Drugs, Medical Equipment and Supplies for Human Use*, for additional information.
- Electricity purchased and used only for heating a dwelling where the purchaser resides, for heating or cooling farm buildings, or for drying grain in the course of farming.
- Farm horses.
- Farm implements, farm machinery and repair parts, but not including highway

vehicles. See Bulletin No. 018 - *Farm Use Equipment and Other Items*, for additional information*.

- Fertilizers, insecticides, fungicides, herbicides, rodenticides, weed control chemicals, and chemicals used to treat livestock waste, when purchased for farm use*.
- Filmed, taped or other recordings for public exhibition or broadcast, and materials purchased to produce such recordings.

Please note: Materials used to purchase or fabricate props, sets, costumes and equipment are taxable. See Bulletin No. 039 - *Film, Video and Audio Productions*, for additional information.

- Fire trucks and related fire fighting and rescue equipment carried on fire trucks, including ladders, aerial equipment, hoses, air breathing and life-saving devices. Oxygen used in the course of fire fighting is also exempt
- Food and beverages that are exempted as “basic groceries” under the GST. See Bulletin No. 029 – *Food and Beverages*, for additional information.
- Fuel as defined under *The Fuel Tax Act*.
- Geophysical survey aircraft designed and used solely for prospecting or exploring for minerals as defined under *The Mining Tax Act*.
- Geophysical survey and exploration equipment designed and used solely for prospecting or exploring for minerals as defined under *The Mining Tax Act* or used in oil or gas exploration and development.
- Granaries purchased and used by farmers*. See Bulletin No. 021 – *Granaries and Farm Storage Buildings*, for additional information.
- Gravel, sand or shredded tires, purchased directly by a municipality or local government district for its own use. Also, sandbag filling services and certain sand/salt mixtures for use in flood control. See Bulletin No. 019 – *Municipalities, Municipal Governments and Local Government Districts*, for additional information.
- Kiln strips used in the manufacturing of wood products.
- Manufacturers – certain goods purchased for use in manufacturing a product for sale; examples include carbon electrodes, lubricants used as cutting aids, rolling mill rolls – see ss. 3(1)(w.1) of *The Retail Sales Tax Act* for more information.
- Manure slurry tanks or liners for manure lagoons used directly in the farm production of livestock.
- Medical related exemptions:
 - Artificial limbs, orthopaedic appliances, hearing aids and dentures.
 - Equipment designed solely for the use of the blind, other physically

- handicapped persons or chronic invalids.
- Dental and optical appliances sold on prescription.
- Smoking cessation products (with or without a prescription).
- See Bulletin No. 002 - *Drugs, Medical Equipment and Supplies for Human Use*, Bulletin No. 007 – *Dentists, Denturists, and Dental Laboratories* and Bulletin No. 034 – *Optometrists and Opticians* for additional information.
- Mining Industry – certain goods used in mining or processing minerals for sale as mineral products; examples include anode bags, blast hole liners, crusher jaws – see ss. 3(1)(xx.1) of *The Retail Sales Tax Act* for more information.
- Money (Canadian currency) when purchased at a price not exceeding its face value.
- Money of a foreign country when purchased at a price not exceeding the current exchange rate for that currency.
- Natural gas or manufactured gas that is delivered to the purchaser by means of a gas pipe distribution system (piped gas) and used as fuel only for heating a dwelling where the purchaser resides, for heating or cooling farm buildings, or for drying crops with a grain dryer in the course of farming.
- Natural water, except when sold in single servings (less than 600 ml) or sold with a meal.
- Newspapers and magazines that are provided to the public free of charge. See Bulletin No. 015 - *Printing, Desktop Publishing and Related Services* for additional information.
- Non-returnable packaging material for products or services that are sold by a vendor to another person.
- Plants that are, or produce food for humans and plants that are, or produce, agricultural feeds. Seeds, tubers, bulbs, corms and rhizomes used to raise those plants are also tax exempt.
- Prepared food and beverages provided in the following circumstances by:
 - A school without charge, or for a nominal charge, to its students under a school lunch program.
 - A hospital to its patients, or by a personal care home to its residents, as part of health care services.
 - A charitable or non-profit organization without charge, or for a nominal charge, to persons who, because of poverty, suffering, distress, age, infirmity or disability, require assistance (e.g. meals-on-wheels).
 - A recreational camp operated by a charitable or non-profit organization, primarily to children 17 years of age or under, or to underprivileged or disabled persons.
- Prototype equipment purchased and used to research and develop new mining technologies for minerals as defined in *The Mining Tax Act*.
- Student yearbooks.

- Tampons and sanitary napkins.
- Testing strips, reagents or tablets for self-administered medical diagnostic purposes. See Bulletin No. 002 – *Drugs, Medical Equipment and Supplies for Human Use*, for additional information.
- Traps, snares, pelt stretchers and other apparatus used directly and exclusively in commercial trapping of fur bearing animals by a trapper licensed under The Wildlife Act*.
- Uncancelled postage stamps when purchased at a price not exceeding their face value or the applicable lettermail rate at the time of purchase.
- Used clothing or used footwear valued at \$100 or less.
- Used furniture valued at \$100 or less.
- Welding tips and laser or plasma nozzles used to produce goods or services for sale.

Tax exempt situations

THESE GOODS ARE EXEMPT FROM THE RETAIL SALES TAX IN THE FOLLOWING CIRCUMSTANCES:

- Goods purchased for resale by a person who provides their RST number to their supplier.
- Goods delivered by the seller outside the province, or shipped by the seller by common carrier for delivery outside the province (seller must retain evidence of shipment outside Manitoba).
- Materials being manufactured into a product for sale.
- Goods leased as part of a sale/leaseback arrangement. Where the lessee has paid the tax on the original purchase of the goods, then subsequently sells them to the lessor and immediately leases them back, the lease charges are exempt.
- Settlers' effects (household goods brought into Manitoba by a person taking up residence in the province) where the goods were purchased at least 30 days before taking up residence in Manitoba and were brought into the province within six months of taking up residence; and where the person resided outside of Manitoba for at least six consecutive months before moving to the province.
- Vehicles or other goods acquired by transfer of title under a bequest or by devolution of the estate of a deceased person.
- Vehicles or other goods acquired as a gift from a spouse, a "common-law partner" or other "family member", who paid the Manitoba sales tax on the vehicle or other goods (or acquired it as a gift from a family member who paid the sales tax).
 - "Family member" means a parent, grandparent, child, grandchild, son/daughter-in-law, father/mother-in-law, spouse or "common-law

partner". For purposes of determining the relationship between family members, a qualifying common-law partner is treated the same as a spouse, e.g., a man's common-law wife is regarded to be the daughter-in-law of the man's parents.

- "Common-law partners" are persons who have cohabited in a conjugal relationship for 3 years or more without a child, or who have cohabited in a conjugal relationship for 1 year or more and there is a child of their union.

Please note: RST is payable where a gift, or a series of gifts within 12 months, results in the transfer of a vehicle between family members other than those listed above. For example, when a child gifts a vehicle to his/her parent who then gifts it to another child, the series of gifts is considered a taxable transfer between siblings. In this example, the parent must own the vehicle for 12 continuous months before it can be gifted without tax to the other child.

- A gift of a vehicle or other goods made to a charitable organization if the donor has paid the Manitoba sales tax on the vehicle or other goods.
- A vehicle won in a lottery, if the sponsor has paid the Manitoba sales tax.
- Used goods (other than an aircraft, motor vehicle or off-road vehicle) when purchased by one individual from another individual in a non-commercial transaction (for example, a garage sale).
- Vending machine sales where the vending machine accepts only a single 25¢ coin as the total purchase price for the goods dispensed.
- Sale of goods, other than tobacco products and alcoholic beverages, directly by a charitable or non-profit organization (including a community club) to a person where the sale:
 - Is not in competition with sales made by a registered vendor; and
 - Is not of a commercial nature; and
 - Is not publicly advertised.

Please note: Under this exception, the selling organization must pay the tax upon purchasing goods that are otherwise taxable.

For Example: Schools are not required to collect RST on the sale of chocolates for student fundraising, however the school must pay the tax on their cost of the chocolates.

See Bulletin No. 024 – *Charitable & Non-Profit Organization Fund Raising Activities* for additional information.

- Sales by small businesses with annual taxable sales under \$10,000, where the vendor has opted not to acquire an RST registration. These vendors must pay the RST on goods bought for resale and indicate on the sales invoice that RST is included in the sale price.

- Prepared food and beverages that are provided by:
 - A school to its students through a cafeteria or canteen operated at the school.
 - A boarding school, university or college to its students as part of a single priced meal plan that includes at least 10 meals per week for a minimum continuous period of one month.
 - A domestic boarding house to its residents at an all-inclusive single price for food and lodging, for a minimum continuous period of one month.
 - A recreational camp operated by a charitable or non-profit organization at an all-inclusive single price for food and lodging, primarily to children 17 years of age or under, or to underprivileged or disabled persons.
 - A day care centre to its attendees as part of an all-inclusive price for day care services.
 - A senior citizens' home to its residents as part of a meal plan where the resident purchases, for a single price, at least 10 meals each week for a minimum continuous period of one month.

Please note: Under this exception, the meal provider must pay tax on their purchases of food or beverages that are of a taxable type, (e.g., soft drinks).

- Purchase of goods by Status Indians and Indian Bands are exempt from sales tax if the purchase is made on a reserve, or the purchase is made off reserve and the seller delivers or ships the goods to the reserve. On vehicles purchases, tax exemption is allowed only if the purchase documents are signed on a reserve and the purchaser takes possession of the vehicle on reserve. (The supplier must retain evidence that the goods were shipped to a reserve, or in the case of a vehicle were purchased on a reserve.) To qualify for the exemption on a lease, Status Indians must reside on a reserve, in addition to the above conditions.

Please note: Corporations are not eligible for the tax exemption.

Reduced tax rate A REDUCED TAX RATE IS ALLOWED IN THE FOLLOWING CIRCUMSTANCES:

- Mobile, ready-to-move, or modular homes are taxable on their basic selling price at a reduced RST rate of 4% when these homes are used as a domestic residence.
- Electricity and piped gas are taxable at a reduced RST rate of 1.4% when purchased and used for a combination of taxable and exempt uses (e.g. electricity for home heating and lighting, natural gas for heating a farm building and operating a hot water tank).
- Electricity is taxable at a reduced RST rate of 1.4% when used directly to operate machinery and equipment in manufacturing, mining, or at a completed well site to produce oil or gas in Manitoba. Businesses must apply to the Taxation Division to qualify for the reduced tax rate.

Tax refunds or rebates on certain TPP TAX REFUNDS OR REBATES ARE ALLOWED IN THE FOLLOWING CIRCUMSTANCES:

- Where a person buys or leases a highway vehicle, pays the sales tax on it and

privately sells his/her used highway vehicle within six months. Tax is refundable equal to the lesser of the tax paid on the vehicle purchased/leased, or 7% of the price of the vehicle sold.

- Refunding similar to the above is allowed on the purchase/lease and private sale of snowmobiles, ATVs or dirt bikes.
- Refunding similar to the above is allowed on the purchase/lease and private sale of aircraft.

Please Note: A \$25 processing fee will be deducted from the refundable amount under the above mentioned refunding provisions.

- The sales tax paid by a farmer on the purchase of a farm storage building or structure used to store crops grown for sale, or on materials used directly to construct the building or structure as defined in the RST regulation.
- Liners for manure lagoons purchased by a farmer from a contractor in a one price supply and install contract. The farmer must attach documentation proving that the contractor paid the tax in respect of the liner.
- Where a resident of Canada pays tax on vehicles, snowmobiles, ATVs, dirt bikes or aircraft that are removed from Manitoba within 30 days of purchase, for use permanently outside the province, and pays any applicable tax to the jurisdiction to which the vehicle, snowmobile or aircraft were taken.
- Where a purchaser, who is not a resident of Canada, pays RST of \$50 or more on one invoice for goods that are removed from Manitoba within 30 days of purchase, for use permanently outside the province.

Section 4 – SERVICES

Taxable services

THE FOLLOWING SERVICES ARE SUBJECT TO RETAIL SALES TAX:

- Short term accommodations (of less than one month) in hotels, motels and similar commercial establishments.
- Telephone and other telecommunications services that originate and terminate within the province (but coin-operated telephone services where the charge is 50¢ or less, and toll free telephone services are exempt).
- Telephone service that:
 - Begins and ends in Manitoba, or
 - Begins or ends in Manitoba and is billed to a phone number located in Manitoba (ex: a phone number with a Manitoba area code), or
 - Begins in Manitoba and ends outside Manitoba, and is not taxable in another jurisdiction, or
 - Is in respect of a dedicated line in Manitoba, or
 - Is prepaid through the purchase of a phone card or other means.
- Printing, binding, lithographing, multigraphing, duplicating, engraving, imprinting, typewriting, folding, addressing, collating and related functions,

except where done in respect of tax exempted books or in respect of newspapers and magazines that are provided to the public free of charge.

- Photography, microfilming, videography and film production services - including the development and printing of film - and the recording of sound. (These services are not taxable when used to produce filmed, taped or other recordings used for public exhibition or broadcast).
- Processing, assembling, disassembling, installing or uninstalling taxable goods (but excluding installation of materials into real property).
- Repairing, maintaining, inspecting, testing, cleaning, washing, polishing, painting, decorating, refitting, refinishing, reconstituting, remodelling, altering, adjusting, modifying, updating, upholstering, or re-upholstering of TPP.

Please note: These services, as well as engineering design services, are not taxable when done in respect of the following:

- Dental and optical appliances (including related clip-on sunglasses) sold on prescription.
 - Artificial limbs, orthopaedic appliances, hearing aids, dentures and diabetic infusion pumps.
 - Equipment designed solely for use of blind and other physically handicapped people or chronic invalids.
 - Farm implements, farm machinery, farm horses, livestock and containers for agricultural products.
 - Commercial fishing boats, fishing nets, containers for fish or fish products and other apparatus used for commercial fishing (must have licence).
 - Traps, snares, pelt stretchers and other apparatus used exclusively in commercial trapping of fur bearing animals (must have licence).
 - Aircraft registered by the government or commercial aircraft, which are used solely to transport passengers or freight for a fee.
 - Direct agents, dies, jigs, moulds, and patterns used directly in manufacturing processes or in providing a taxable service.
 - Rolling mill rolls; press rolls used in the pulp and paper industry.
 - Exempt items used in mining and processing minerals.
 - Manure slurry tanks and liners for manure lagoons.
 - Books and student yearbooks.
- Accounting, architectural, legal, engineering, security and private investigation services. See Bulletin No. 056 - *Legal Services*, Bulletin No. 057 - *Accounting Services*, Bulletin No. 058 - *Engineering Design Services*, Bulletin No. 059 - *Security and Private Investigation Services*, and Bulletin No. 060 - *Architectural Design Services* for further information.
 - Tanning services provided via ultraviolet light emitting devices (tanning beds, booths, or other tanning devices). See *Information Notice – Tanning Services* for more information.

Tax exempt services

EXAMPLES OF SERVICES THAT ARE NOT SUBJECT TO SALES TAX:

- Services to real property (e.g. inspections, construction labour, janitorial services, painting or washing of walls).

Please note: The maintenance and repair of electrical, plumbing, heating and air conditioning systems, even when attached to land or buildings, are subject to tax on the total amount charged. See Bulletin No. 031 – *Mechanical and Electrical Trades*, for more information.

- Personal services (other than tanning services, as above). Examples include hair styling, manicures, medical services, and day care.
- Advice or consulting of a general nature.
- Purchase of a service for resale, or for the manufacturing of goods for sale, by a person who provides their RST number to their supplier.
- Services provided in Manitoba to goods that are delivered for use exclusively outside Manitoba.

For example: An Ontario resident may obtain boat repairs tax exempt in Manitoba if the repaired boat is shipped by the vendor to Ontario. However repairs in Manitoba to equipment of an Ontario contractor, who is using the equipment to build a road in Manitoba, would be taxable.

- A service rendered through a vending machine that accepts only a single 25¢ coin as the total purchase price.
- Repair of footwear.
- Self-serve car washes, laundry or dry cleaning services that are coin operated.
- Services to exempt custom software.
- Laboratory testing or inspecting of goods not connected to a repair or other taxable service to the goods; appraisals of the value of goods; and testing of food and beverages for human consumption.
- Coin-operated telephone services where the charge is 50¢ or less, and toll free telephone service.
- Telecommunication services purchased by Status Indians or Indian Bands in respect of telecommunication devices situated on reserves (but corporations are subject to tax).
- Motor vehicle safety inspections where these are done as a requirement to register the vehicle for operation.
- Veterinary services.
- Services provided by police or fire departments.

FURTHER INFORMATION

This bulletin is intended to serve as a guideline and is not all-inclusive. For the specific wording of the law, please refer to the *Retail Sales Tax Act* and *Regulations*. Further information may be obtained from:

Winnipeg Office

Manitoba Finance
Taxation Division
101 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone (204) 945-5603
Manitoba Toll-Free 1-800-782-0318
Fax (204) 948-2087

Westman Regional Office

Manitoba Finance
Taxation Division
314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Fax (204) 726-6763

E-mail: MBTax@gov.mb.ca

ONLINE SERVICES

Our Web site at manitoba.ca/finance/taxation provides tax forms and publications about taxes administered by Taxation Division, and a link to Manitoba's laws and regulations. Forms and publications can also be obtained by contacting the Taxation Division.

Our online service at manitoba.ca/TAXcess provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.