

THE RETAIL SALES TAX ACT

INFORMATION FOR INTERJURISDICTIONAL MOTOR CARRIERS

This bulletin provides information to motor carriers on how the Prorate Vehicle Tax (PVT) applies to interjurisdictional vehicles. As part of Manitoba's entry into the International Registration Plan (IRP) on March 1, 2001, the method of applying sales tax on interjurisdictional vehicles prior to this date is being replaced by a prorated vehicle tax (the PVT) that is calculated and payable annually at a diminishing tax rate.

Information on IRP registration requirements may be obtained from the Commercial Vehicle Registration office, as noted in Section 1 of this Bulletin.

Section 1 – INTERNATIONAL REGISTRATION PLAN (IRP)

What is IRP?

- IRP is an interjurisdictional licencing agreement that establishes a single uniform system for administering and collecting licence fees and other recurring fees and taxes from persons operating interjurisdictional vehicles in Canada and USA for the commercial carriage of passengers or goods.
- Under IRP, interjurisdictional carriers register with their base jurisdiction only. The base jurisdiction assigns a prorate account number and issues one cab card and a set of apportioned plates for each of the carrier's vehicles. It also collects all applicable registration fees and taxes from the carriers on behalf of the other member jurisdictions, and distributes the amounts collected to the applicable jurisdictions. The apportioned plates and cab card allow the carrier to operate in jurisdictions that are listed on the cab card.

IRP registration for Manitoba based carriers

- Manitoba based carriers register under IRP through the Manitoba Prorate Office at:

Manitoba Public Insurance
Commercial Vehicle Registration
City Place, Main Floor, Box 6300
234 Donald Street
Winnipeg, MB R3C 4A4
Telephone: 1-204-985-7775 (Winnipeg),
1-866-798-1185 (Outside Winnipeg)
Fax: 1-204-953-4998 (Winnipeg),
1-866-798-1186 (Outside Winnipeg)
Email: irp@mpi.mb.ca.

Note: Revisions to contents of previous Bulletin (February 2001) have been identified by shading ()

Section 2– PRORATE VEHICLE TAX ON INTERJURISDICTIONAL VEHICLES**General information**

- In this bulletin “the PVT” refers to the prorated Manitoba Retail Sales Tax (RST) collectible on interjurisdictional vehicles operating both in Manitoba and in another jurisdiction. The general application of the PVT is as follows:
 - Applies to the vehicle purchase price before trade-in allowance.
 - On leases, applies to the greater of the vehicle purchase price or its fair market value.
 - Calculated annually on proportional distances travelled in each jurisdiction in the previous year.
 - Factored tax rate diminishes annually.
 - Interjurisdictional trailers are tax exempt (i.e. the cost of trailers is factored into the applicable truck tax rates that are listed below).
 - Repair parts and labour for interjurisdictional vehicles are tax exempt (i.e. these costs are factored into the applicable truck/bus tax rates).

What is the prorated account number?

- The “prorate account number” is assigned to the carrier by the base jurisdiction and appears on the cab card. It refers to the carrier’s base jurisdiction abbreviation (2 letters), account number (5 digits) and fleet number (3 digits). An example of a prorated account number for Manitoba is: MB 12345 – 001. While other jurisdictions may use a different term for the account number, they all have a similar numbering system.

What vehicles are subject to the PVT?

- The PVT is imposed on vehicles, other than trailers, that are licenced in Manitoba for interjurisdictional commercial purposes, or that are licenced in another jurisdiction for interjurisdictional commercial purposes and that travel on Manitoba highways.
- “Interjurisdictional commercial purposes” means use of the vehicle in Manitoba while the vehicle is engaged in interprovincial or international trade for the commercial carriage of passengers or goods.

What vehicles are not subject to the PVT?

- Vehicles, including trailers, that operate solely in Manitoba are not subject to the PVT application. These vehicles and their respective repair parts and services continue to be fully taxable in Manitoba at 7 per cent of the purchase or lease price.

Who is liable for the tax payable?

- The person registering the vehicle, and any other person who has management of, or the right to determine the use of the vehicle while it is in Manitoba during the vehicle registration year, are liable.

Calculating the PVT payable

- The Manitoba PVT is calculated according to the following formula:

$$\text{PVT} = \text{TV} \times \text{R} \times \text{TR} \times \text{T}$$

- In which,
- TV = the vehicle taxable value;
 - R = the tax rate for the applicable calendar year;
 - TR = the Manitoba travel ratio for the vehicle;
 - T = the number of whole or partial calendar months left in the vehicle registration year at the time that the vehicle is registered, divided by twelve.

What is the vehicle taxable value (TV)?

- The vehicle taxable value means its fair market value on its acquisition date (before any trade-in allowance), or any greater amount that:
 - a) If the vehicle was purchased, was its purchase price, or
 - b) If the vehicle is leased, is set out in the lease agreement as the purchase price,
 and includes any capital expenditure made to the vehicle after the vehicle's acquisition date.
- For further information see "major additions" in Section 7 of this bulletin.
- The cost of an optional or extended warranty or maintenance contract is not included in the vehicle taxable value if it is charged in addition to the vehicle purchase/lease price.

What is the applicable tax rate (R)?

- The tax rate is based on the number of calendar years since the current licensee acquired the vehicle. The prescribed tax rates to be used in each calendar year are as follows:

Calendar Year	Truck Tax Rate	Bus Tax Rate
The acquisition year	3.294%	2.059%
First year following acquisition year	2.646%	1.654%
Second year following acquisition year	2.177%	1.360%
Third year following acquisition year	1.838%	1.148%
Fourth year following acquisition year	1.597%	0.998%
Fifth year following acquisition year	1.577%	0.985%
Sixth year following acquisition year	1.509%	0.943%
Seventh year following acquisition year	1.486%	0.928%
Eighth year following acquisition year	1.497%	0.935%
Ninth & subsequent years following acquisition year	1.533%	0.958%

What is the Manitoba travel ratio (TR)?

- The TR for each jurisdiction is based on the distance travelled by a fleet in the calculation year (which is July 1 to June 30) preceding the registration year of the fleet (which is a full year commencing on the date the fleet registered). The TR for Manitoba is the distance travelled in Manitoba by the fleet in which the vehicle is registered, divided by the total distance travelled by that fleet. The Manitoba TR is similarly calculated where a fleet consists of only one vehicle.
- Where the actual distances travelled are not known (e.g. first-time registrant) or a fleet has been registered for less than 90 days in a calculation year, estimated distances that are established in accordance with the rules used for vehicle registration may be used. If the estimated distances used are significantly different than the actual distances, the total PVT payable may be adjusted by the Taxation Division during an audit of the carrier.

Section 3 – MANITOBA-BASED CARRIERS**Initial IRP registration**

- When Manitoba based carriers apply for registration under IRP, they must provide travel distance information for each jurisdiction in which they travel and a copy of the bill of sale or the lease agreement for each vehicle registered for interjurisdictional travel. This information is required to establish the TR and the TV to be used in the formula to calculate the PVT payable as described in Section 2 of this bulletin.

Payment of fees and PVT

- When the application for registration is processed, the Manitoba Prorate Office will calculate the fees and taxes payable to every jurisdiction in which the carrier travels and will issue an invoice to the carrier. The fees and taxes collected by the Manitoba Prorate Office will be distributed to Manitoba and the other jurisdictions as is appropriate.
- Carriers base-plated in Manitoba should make their cheques payable to the Minister of Finance and send them to the Manitoba Prorate Office, along with a copy of the invoice summary. Carriers are required to remit US currency for fees and taxes calculated on behalf of US jurisdictions and Canadian currency for fees and taxes payable to Canadian jurisdictions.

Please Note: Carriers who register under IRP in another jurisdiction are required to remit the applicable fees and taxes on interjurisdictional vehicles to that base jurisdiction. The applicable fees and taxes are collected by that jurisdiction on behalf of all the IRP members (including Manitoba), and will be appropriately distributed to each jurisdiction in which the carrier operates.

Annual IRP renewals

- Approximately 60 days before the expiry of the carrier's prorate account, Manitoba carriers will receive their Prorate Fleet and Prorate Vehicle Renewal Applications for the next year, along with a computer printout of the carrier's active fleet information currently on file with the Prorate Office. Carriers should review the printout for accuracy and omissions and advise the Prorate Office accordingly when submitting their renewal applications.
- After the renewal application is processed, the Manitoba Prorate Office will make the appropriate calculations for the annual fees and taxes due for the next year and issue an invoice to the carrier. The process for collection and payment of the fees and taxes payable for the renewal registration is the same as for the initial registration.

Do carriers need to be registered under The Retail Sales Tax Act?

- Carriers are required to be registered for RST purposes only if they sell taxable goods or services at a retail sale in Manitoba, or if they bring into or receive in Manitoba taxable goods and services for own use on which they have not paid the RST. Carriers registered for RST purposes will receive a monthly tax return which is used to remit the tax they have collected or the tax they are required to pay on goods acquired for own use. For further information see Bulletin No. 004 - Information for Vendors.

Section 4 – TRANSITIONAL “TAX FREE” PERIOD**Vehicles previously registered under ISTA or CAVR**

- Carriers who register interjurisdictional vehicles under IRP, that were acquired before March 1, 2001 and on which the Manitoba RST was previously paid, are eligible for a transitional exemption/refund of the Manitoba PVT for up to two years. **The transitional exemption period starts March 1, 2001 and ends February 28, 2003. When renewing the registration for these vehicles after February 28, 2003, the carrier will be required to remit the PVT at the tax rate corresponding to the vehicle’s year of acquisition shown in the table in Section 2 of this bulletin.**
- This “tax free” transitional provision is intended to avoid double taxation on vehicles being registered for interjurisdictional commerce under IRP that were previously registered for use in Manitoba (including vehicles registered to a private carrier or a carrier registered under ISTA).

Eligibility for exemption or refund

- To be eligible for the exemption or refund, the following criteria must be met:
 - All applicable RST must have been paid on the purchase of the vehicle in Manitoba, or on bringing or sending the vehicle into the province (includes RST paid under ISTA);
 - The vehicle is being registered or being renewed under IRP for interjurisdictional commercial purposes; and
 - The vehicle ownership does not change during the transitional period.

How do carriers obtain the transitional exemption/refund?

- Manitoba-based carriers whose vehicles meet all the above criteria and are registered through the Manitoba Prorate Office during the two-year “tax-free” period, will automatically get a Manitoba PVT exemption at the time of registration or renewal.
- Carriers whose vehicles are licenced in another base jurisdiction must pay the Manitoba PVT at the time of registration or renewal to that jurisdiction and then apply for the applicable PVT refund within two years, to a Taxation Division office shown at the end of this bulletin. The refund request must include a copy of the invoice showing payment of the Manitoba PVT to the other jurisdiction, a copy of the vehicle’s apportioned cab card and documentation showing payment of the RST prior to March 1, 2001.

Leased vehicles are not eligible for the exemption

- The exemption/refund under the transitional provision does not apply to leased vehicles. Lease payments on vehicles apply only to the period of use. Similarly the RST paid on leases applies to the lease payments only and not on the total purchase price. Furthermore, the applicable tax rate (R), used in the formula to calculate the PVT, is factored with a built-in depreciation [i.e. (R) diminishes annually from the start date of a lease], therefore duplication of tax on leased vehicles in the transitional period is not an issue.

Section 5 – VEHICLE TRANSFERS DURING A REGISTRATION YEAR**Vehicle transfers between two prorate fleets**

- Where a vehicle is moved from one prorate fleet to another prorate fleet during a registration year, the vehicle may be eligible for a credit of the PVT paid under the old fleet for the number of full months left in the registration year.
- To be eligible for the credit, the vehicle must be moved to a fleet that operates partly in Manitoba and the applicable PVT for the vehicle must have been paid per the TR in the new fleet.
- For vehicles registered through the Manitoba Prorate Office, the credit will be automatically calculated. For vehicles registered in another base jurisdiction, the registrant must apply to the Taxation Division for a refund and provide documentation showing the amount of PVT paid to Manitoba on the vehicle in the old fleet (current year) along with the amount of PVT paid on that vehicle to Manitoba under the new fleet.

Vehicle transfers from inter-jurisdictional use to intra-jurisdictional use

- Where a vehicle or a trailer is transferred from an interjurisdictional operation to operate solely in Manitoba, the registrant is at that time required to pay the 7 per cent RST on the vehicle's/trailer's depreciated value. The depreciated value is the "vehicle taxable value" on the basis of which PVT was paid, less straight-line depreciation at the rate of 1.5 per cent per month or part of a month, to a maximum of 80 per cent from the date of acquisition to the date it became registered to operate solely in Manitoba.
- If the vehicle is transferred during a registration year, the registrant may be eligible for a credit of the Manitoba PVT paid in respect of the full months remaining in the registration year to be applied against the RST payable.
- When a vehicle that was previously registered in another jurisdiction is transferred for use solely outside Manitoba, the registrant is not eligible for a credit of the Manitoba PVT paid on the vehicle.

Vehicles purchased after March 1, 2001 and transferred from intra to inter-jurisdictional use

- A vehicle that is purchased on or after March 1, 2001, for use solely in Manitoba, is subject to the 7 per cent RST. Where a person subsequently registers that vehicle under IRP for interjurisdictional use, the person must also pay the PVT. However a credit of a portion of the PVT payable to Manitoba is available to a person registering this vehicle under IRP for any period that is within five years after the acquisition date of the vehicle.
- The applicable Manitoba PVT credit will be applied against the total PVT payable by the person.

Section 6 – PURCHASES AND LEASES OF VEHICLES AND TRAILERS**How to obtain the RST exemption on vehicle/trailer purchases**

- Carriers may purchase or lease interjurisdictional motor vehicles and interjurisdictional trailers (including optional or extended warranties and maintenance contracts) without paying tax at the time of purchase/lease by quoting their prorate account number to the dealer. The dealer must record this number and the purchaser's name on the invoice (lease contract) and retain a copy to substantiate the tax exemption.

Please note: RST applies to the full purchase price or lease payments of vehicles and trailers that are acquired or transferred for use solely in Manitoba.

Unregistered carriers must pay RST

- Carriers who are not yet registered under IRP and broker-drivers who are not currently under contract with a registered carrier, must pay RST on their purchases of trucks, trailers and buses.
- Where the carrier will within 30 days of the purchase date be registering the vehicle for interjurisdictional use, the carrier may apply to the Taxation Division for a letter authorizing the dealer to sell the motor vehicle (but not trailers) without collecting the RST.

Responsibility to ensure proper application of RST

- Both the dealer and the purchaser share the responsibility to ensure that an item sold without RST is eligible for an exemption, i.e.-
 - It is the dealer's (vendor's) responsibility to ensure that the individual or firm is a prorate account registrant and is purchasing the vehicle for interjurisdictional use. In this respect the vendor may request the purchaser to present proof of registration under IRP, e.g. a cab card.
 - It is the purchaser's responsibility to quote his/her prorate account number to the vendor only when purchasing items tax exempt for eligible purposes. When items are acquired for tax exempt purposes and subsequently used in taxable situations, e.g. vehicles used solely in Manitoba, parts, etc., the purchaser is responsible to ensure that the applicable RST on these items is self-assessed and remitted to the Taxation Division.

Trailers used both inter and intra-jurisdictionally

- When the carrier is unable to designate specific trailers that are used solely for interjurisdictional commercial purposes and those that are used solely within Manitoba, a reasonable allocation will have to be made to determine the trailers that are subject to RST. For example, if 70 per cent of a carrier's power units (including broker driver units) are registered for interjurisdictional use and 30 per cent of its power units are registered solely for in-province use, then 30 per cent of the amount paid for purchasing or leasing trailers during that year would be subject to 7 per cent RST. If sufficient RST has not been paid to the dealer, the carrier must calculate and remit the applicable RST to the Taxation Division. The method of allocation is subject to audit review.

Section 7 – REPAIRS OF INTERJURISDICTIONAL VEHICLES AND TRAILERS

Purchasing repair and maintenance services tax exempt

- Repair parts, labour and maintenance services for interjurisdictional vehicles may be purchased RST exempt. To obtain the exemption on parts, carriers must quote their prorate account number to the supplier at the time of purchase. The supplier must record the prorate account number on the invoice and retain a copy. In the case of exempt repair or maintenance services to a vehicle, a photocopy of the cab card should also be attached to the supplier's work order to substantiate the tax exemption allowed.

Please Note: Only repair parts that are specifically designed as a replacement part of a truck, trailer or bus are exempt. General purpose parts as discussed under “shop supplies” in this section are taxable.

Please Note: Repair parts, labour and maintenance services for vehicles and trailers used solely in Manitoba are subject to RST on the total purchase price.

Separate inventory for tax exempt repair parts

- Carriers should maintain a separate inventory of parts purchased tax-exempt for prorated vehicles, and a separate inventory of tax-paid parts for vehicles that travel solely in Manitoba. In extenuating circumstances, the carrier may purchase all parts exempt, and then estimate on a reasonable basis the value of the parts that are subject to RST when used on trucks, buses and trailers operating solely in Manitoba. The RST on these items must be self-assessed and remitted to the Taxation Division on the next RST return. The records and the method of estimating the taxable parts are subject to audit review.

Purchases by broker drivers

- A broker-driver who operates a vehicle interjurisdictionally under contract to a carrier may also make qualifying vehicle and repair purchases tax exempt. To obtain the exemption the broker driver must quote the carrier’s prorate account number to the supplier. In this respect the vendor may request the purchaser to present proof of registration under IRP, e.g. a cab card.

Unregistered carriers must pay RST

- Carriers who are not yet registered under IRP and broker-drivers who are not currently under contract with a registered carrier, must pay RST on their purchases of repair parts and service.

Taxable accessories

- Accessories for interjurisdictional vehicles (including installation labour) purchased separately from the vehicle, are subject to 7 per cent RST. The following are examples of some optional accessories that are taxable unless they are included in the purchase price of the vehicle:

- | | | |
|--|--------------------------------|-------------------|
| - Bug deflectors and screens | - First aid kits | - Rotating lights |
| - CB radios | - Fridges | - Seat covers |
| - Enhanced sound systems | - Microwaves | - Telephones |
| - Facsimile machines | - Portable computers | - Televisions |
| - Fleet net radios including the antenna | - Portable generators | - VCRs |
| | - Portable positioning systems | - Winter fronts |

Consumable supplies

- When consumable supplies, such as antifreeze, grease, motor oil, windshield wiper fluid, etc., are purchased in Manitoba, RST is payable on the full purchase price, unless they are included as part of a tax exempt repair work order issued by a vendor. RST does not apply when these supplies are purchased and installed in the vehicle outside of Manitoba, i.e. the tax is usually payable to the jurisdiction where the supplies were purchased.

- Shop supplies**
- Only parts that are specifically designed as replacement parts for interjurisdictional vehicles qualify for an exemption. General purpose repair materials purchased by carriers are subject to RST.
 - The following are examples of materials and shop supplies that are taxable:
 - cables, electrical wire and terminals, fittings, heater hose, hose clamps, nuts and bolts, rope, rubber tubing, sheet metal, wood, etc.
 - RST does not apply on general purpose materials that are included as part of a tax exempt repair work order issued by a vendor.
- Other taxable goods and services**
- The following are some examples of non-vehicle related goods and services, purchased by carriers for use in Manitoba, that are always subject to RST:
 - shop tools and equipment, warehouse equipment, office furniture and equipment, computer hardware and software, uniforms, repair and maintenance contracts for goods.
- Major additions or modifications to inter-jurisdictional vehicles**
- The total cost of major capital additions such as tanks, pickers, sleepers, pumping and handling equipment or other equipment that are permanently mounted on the truck (but not taxable accessories mentioned above) must be included in the taxable value on which the PVT is calculated. The cost of parts and labour to install these items must also be included in calculating the total cost of the capital addition.
 - The carrier does not pay RST when purchasing equipment, parts or labour that are part of the capital addition, or subsequently when purchasing repair parts and labour to service the capital equipment.
 - It is the registrant's responsibility to advise the Prorate Office at the time of registering a vehicle of any major capital additions or modifications made to the vehicle after it is purchased. Where the additions occur after it has been registered, the registrant must advise the Prorate Office at the time of receiving the next renewal forms.

Section 8 – RECORDS AND AUDITS

- What records must I keep?**
- Carriers who register vehicles under IRP must maintain records that substantiate the reported distances travelled and the costs of all vehicles in the IRP fleets. Additional information on acceptable documentation and record retention periods is contained in Manitoba's *Apportioned Registration Manual*.
- Requirement to keep records**
- The Retail Sales Tax Act generally requires that records be retained for at least six full years, plus the current year. The general ledger must be retained indefinitely. For additional information, see Bulletin No. 016 – Record Keeping and Retention Requirements.

**Taxation
Division audits**

- The Taxation Division conducts audits of carriers based in Manitoba on behalf of all IRP member jurisdictions. The purpose of the audit is to ensure compliance with established rules and regulations governing prorated registration. The audits also ensure proper payment of prorated fees and taxes to Manitoba and to all other IRP member jurisdictions in which the carrier is (or was) registered for interjurisdictional travel.
- To minimize the inconvenience for motor carriers, audits of the following programs and tax statutes will generally be conducted at the same time:
 - International Registration Plan (IRP)
 - International Fuel Tax Agreement (IFTA)
 - Prorate Vehicle Tax (or equivalent in other jurisdictions)
 - Retail Sales Tax (Manitoba only)
 - Payroll Tax, if applicable (Manitoba only).

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.