

THE RETAIL SALES TAX ACT

MOBILE, MODULAR, AND READY-TO-MOVE HOMES

This bulletin provides information on how retail sales tax (RST) applies to the sale and installation of mobile, modular and ready-to-move residential homes. RST applies at a reduced tax rate of 4% on the basic selling price of these manufactured homes when they are acquired for use by the purchaser as a domestic residence.

Section 1 – DEFINITIONS

Manufactured homes eligible for the reduced tax rate

- A "**mobile home**" is a portable structure built on a chassis that:
 - (a) is defined in the Canadian Standards Association (CSA) Z-240 MH standards as a "mobile home", a "multiple section mobile home", or a "swing out and expandable room section mobile home", and
 - (b) bears a CSA seal attesting that the structure complies with the standards.
- A "**modular home**" is a factory-built house that is designed and intended for use as a domestic residence and:
 - (a) is constructed by assembling manufactured three-dimensional modular units, each with three walls and a roof/ceiling, that are each at least one room or living area, and
 - (b) bears a CSA seal attesting that the house complies with the A-277 standards.
- A "**ready-to-move home**" or "stick-built home" is a house that is fully assembled by the seller prior to sale that:
 - (a) is a single structure designed for use with a permanent foundation as a domestic residence; and
 - (b) is entirely constructed away from the site on which it will be affixed to the permanent foundation.

Please note: A ready-to-move home that is constructed away from the installation site will still qualify for the reduced tax rate where finishing activities like painting, and attaching cabinets or interior trim are completed at the installation site.

Domestic residence

- A "**domestic residence**" is a home that is installed into realty and is ordinarily occupied by the owner as a residence (including a seasonal residence), but does **not** include a structure occupied for commercial or industrial use such as:
 - A commercial office, construction site office, bunk house, wash house, kitchen or dining unit, library, classroom, television mobile unit, industrial display unit, laboratory unit, or medical clinic;
 - Homes purchased for the use of a company's employees or shareholders;

- Homes purchased for the purpose of rental or lease to others.

Dwellings NOT eligible for the reduced tax rate

- Recreational items designed for multiple or continuous movement, such as the following, are subject to RST at the full rate of 7%:
 - Motor homes required to be registered under the *Drivers And Vehicles Act*;
 - Park Model Trailers manufactured to CSA Z-241 standards;
 - Travel trailers, tent trailers, slide-on or chassis-mounted campers, and other similar vehicles and structures.
- Pre-fabricated building packages that consist of two-dimensional pre-cut components delivered to the site in knockdown condition (or partially assembled) and ready for assembly and erection on site do not constitute manufactured homes eligible for the reduced tax rate.

Section 2 – TAX ON SALES OF NEW MOBILE, MODULAR AND READY-TO-MOVE HOMES

Tax rate on the basic selling price

- Manufactured homes that meet the definition of a “mobile home”, a “modular home” or a “ready-to-move-home” are taxable at the reduced rate of 4% when sold to a purchaser who uses the home as a domestic residence.
- The reduced rate applies only to the “basic selling price” of the manufactured home, which does **not** include any charges for furniture, appliances or any other goods sold with the home. Delivery within Manitoba and installation charges are also excluded.
- The reduced tax rate of 4% provides a point-of-sale exemption for the labour and overhead included in the basic selling price of a manufactured home that would be exempt if the home was built entirely on the purchaser’s property.

Tax rate on furniture and appliances

- RST applies at the rate of 7% on the selling price of furniture, appliances and any other goods sold with a manufactured home.
- “Furniture” includes free-standing furniture, area rugs, window coverings and their hardware (e.g. blinds, shades, draperies and tracks).
- “Appliances” includes both portable and built-in washers, dryers, dishwashers, refrigerators, freezers, ovens, and air conditioners.

Section 3 – APPLYING THE TAX

Real Property vs. TPP

- The application of RST depends on the nature of the contract to supply the manufactured home. Businesses that sell manufactured homes from their business premises and do not install the home are selling tangible personal property (TPP) and must collect the tax on the total invoice price of the sale.
- Businesses that supply and install manufactured homes at the purchaser’s address are performing a real property contract. The seller must pay the tax on the TPP installed into real property and include the tax paid in the contract price to the customer. Tax is not charged on the invoice to the

customer in this case.

Supply only sales

- A business that constructs manufactured homes eligible for the reduced tax rate and supplies the finished home only, without installation:
 - may purchase materials used to construct the home exempt of RST by providing their RST number to the supplier;
 - must collect RST at the rate of 4% on the basic selling price of the eligible home, when sold for use as a domestic residence by the purchaser;
 - must collect RST at the rate of 7% on the selling price of any furniture, appliances or other goods sold with the home;
 - The sales invoice must itemize the basic selling price, the value of any other goods and services, and the total RST at both 4% and 7%.

Supply and install real property contracts

- A business that constructs (at its business premises) manufactured homes eligible for the reduced tax rate and sells and installs them for use by the purchaser as a domestic residence as part of a single contract:
 - may purchase materials incorporated into the home exempt of RST by providing their RST number to the supplier;
 - must self-assess RST at the rate of 4% on the manufactured cost or established retail selling price of the home;
 - must pay RST at the rate of 7% on materials used to install the home
 - does not collect RST from the purchaser on the total selling price of the home. The sales invoice will show the total supplied and installed price of the home, with tax included in the price (not itemized);
 - must collect RST at the rate of 7% on the selling price of any furniture, appliances or other goods sold with the home. The selling price and the tax collected must be shown separately on the sales invoice.

Installation

- A manufactured home is considered real property when it is installed on a foundation and connected to service utilities (sewage, water, electrical).
- The purchaser is not required to pay tax on the charge to install a manufactured home into real property if the charge is shown separately on the invoice, and is in addition to the regular established selling price of the home at the vendor's premises.
- The contractor who installs the manufactured home into real property must pay RST on all materials used in connection with the installation.

Note: Mechanical and electrical systems, including plumbing, heating and air conditioning are considered to be TPP, the supply and installation of which is taxable at 7%. See *Bulletin 031 – Mechanical and Electrical Trades* for more information.

Dealers

- Dealers that acquire finished manufactured homes for resale must apply the tax in the same manner as described above for businesses that manufacture the homes.
- Dealers can acquire homes for resale as TPP exempt of tax by supplying the seller with their RST number.
- Dealers who take a mobile home out of stock for use temporarily (less

than a year) as a showroom or office can self-assess RST monthly on the fair rental value of the unit rather than pay RST on the total price.

- Delivery**
- The charge for transporting a manufactured home within Manitoba from the vendor's premises to the purchaser is not taxable if the delivery charge is shown separately on the invoice, and is in addition to the regular established selling price of the home at the vendor's premises.
 - Delivery from an out of province location forms part of the purchase price of the manufactured home and is taxable at the same rate as the home itself.

- Trade-ins**
- When a new mobile home is purchased with a trade-in, the price of any furniture and appliances sold with the new home can be reduced by the value of similar used furniture and appliances traded-in. The sales invoice must itemize the price of the new items, the value of the used items traded-in, and the net amount, with the RST applied to the net.

Section 4 – TAX ON SALES OF USED MOBILE, MODULAR AND READY-TO-MOVE HOMES

- Sales of used homes as real property**
- The sale of real property is not subject to RST. Once affixed to real property and connected to service utilities, mobile, modular, and ready-to-move homes become real property. The sale of these dwellings is the sale of real property and is not taxable if they remain affixed after the sale, regardless of the nature of the subsequent use of the building.

- Sales of used homes as TPP**
- Where a used home is sold and it is to be removed from the real property to which it is affixed for installation elsewhere, the transaction is a sale of TPP.
 - Where the sale of the used home occurs between private individuals, no tax applies.
 - Sales of used homes for use as commercial buildings are subject to tax at 7%. The purchaser will need to self-assess the RST if the tax is not collected by the seller.
 - Dealers can acquire used homes for resale exempt of tax by supplying the seller with their RST number. Tax applies on the subsequent sale of a used mobile, modular, or ready-to-move home in the same way as it does on a new home as explained in sections 2 and 3.

Section 5 – TAX ON LEASES OF USED MOBILE, MODULAR AND READY-TO-MOVE HOMES

- Leased homes installed on a landlord's property**
- Where a home is acquired for the purpose of rental or lease to others and the home is installed on the lessor's property:
 - The home is not being acquired for use as a domestic residence by the purchaser and therefore is taxable at 7%.
 - The charge to the customer for renting or leasing the installed home (real property) is not taxable.

Homes installed on a lessee's property

- Where a home is acquired for the purpose of rental or lease to others and the home is installed on the lessee's property:
 - The lessor may purchase the home exempt of RST.
 - The total charge to the customer for renting or leasing the home (TPP) is taxable at 7%.

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
Telephone (204) 726-6153
Manitoba Toll-Free 1-800-275-9290
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.