

THE RETAIL SALES TAX ACT

MUNICIPALITIES, MUNICIPAL GOVERNMENTS AND LOCAL GOVERNMENT DISTRICTS

This bulletin summarizes the retail sales tax (RST) exemptions provided to municipalities and local government districts (LGDs), including cities, towns and villages. It also provides examples of items usually purchased by municipalities and LGDs on which tax is payable and outlines when you must register with the Taxation Division for remittance of the tax.

Section 1 – GENERAL INFORMATION

- Municipalities and LGDs are required to pay RST on most purchases of goods and services, except those specifically exempted by the Act and summarized below.
- The RST is not payable on contracts to purchase real property, or services to real property, (ex: construction of roads and bridges, snow removal, grass cutting, etc). Contractors must pay the applicable tax on any materials they supply themselves in the performance of real property contracts. Municipalities and LGDs must pay the tax on any construction materials they purchase and provide to the contractor, except sand and gravel as outlined later in this bulletin.
- Municipalities and LGDs are only required to be registered with the Taxation Division in the situations described later in this bulletin (See Section 4 – Requirement To Be Registered).

Section 2 – SUMMARY OF TAX EXEMPTIONS

- Ambulances**
- Ambulances (including air ambulances) and communication equipment installed in the vehicle. The exemption does not include portable or base station communication equipment, i.e. cellular phones, pagers etc.
 - Where parts and services are purchased to refurbish an existing ambulance body for installation on a new chassis, the total costs including the refurbishing, lettering, installation costs and the cost of the new chassis are considered to be an acquisition of a new ambulance and are exempt from tax. Similarly where an ambulance is assembled from

Note: Revisions to contents of previous Bulletin (May 2011) have been identified by shading (■).

component parts, the cost of the component parts and installation are exempt from tax.

Please Note: The cost of replacement parts or repair services for general maintenance and upgrades to ambulances is not exempt.

**Medical
equipment
and supplies**

- Medical equipment and supplies that meet the exemption criteria for goods designed solely for use by blind or physically disabled persons or chronic invalids – examples include stretchers, wheelchairs, resuscitators, oxygen equipment, cervical collars, and splints. Repairs and replacement parts for exempt medical equipment are also exempt. See *Bulletin No. 002 – Drugs, Medical Equipment and Supplies* for more information.
- The exemption does not apply to general first aid goods and supplies, such as bandages, dressings, gauze, and tape. Equipment used by ambulance personnel to provide care is also taxable (ex. stethoscopes, blood pressure monitors, defibrillators)

**Fire trucks
and related
equipment**

- Fire trucks, and related fire fighting equipment that is carried on fire trucks, including:
 - Vehicles that are used directly for fighting fires (ex: pumpers, air foam units, ladder and water trucks, rescue vans and trailers designed for firefighting use), but not including vehicles used mainly to transport fire fighters.
 - Fire fighting **and rescue** equipment carried on an exempt fire fighting vehicle - examples include: air breathing devices, oxygen used in the course of fire fighting, communication equipment installed in the vehicle (but not including portable and base station communication equipment), ladders, aerial equipment, hoses, nozzles, **adaptors, couplers**, axes, crow bars, jacks and other forcible entry tools, portable pumps and generators, fans, carbon dioxide detectors, lights, tarps, fire extinguishers (including foam and other chemicals used to recharge fire extinguishers) and gas masks.
 - Fire fighters' turn out gear, such as boots, gloves, rubber rescue suits, helmets, etc. is not exempt.
- The exemption applies to the original and replacement purchases of related equipment carried in the fire truck, but not to repair and maintenance services or parts for the related equipment.
- Where parts and services are purchased to refurbish an existing fire truck body for installation on a new chassis, the total costs including the refurbishing, lettering, installation costs and the cost of the new chassis are considered to be an acquisition of a new fire truck and are exempt from tax. Similarly where a fire truck is assembled from component parts, the cost of the component parts and installation are exempt from tax.

Please Note: The cost of replacement parts or repair services for general maintenance and upgrades to fire trucks is not exempt.

Sand, gravel, recycled asphalt, sand/salt mixtures and shredded tires

- Sand, gravel and crushed rock taken from your own pits, or purchased from an outside supplier directly for your own use. The exemption also applies to services purchased to screen, clean, crush or otherwise process sand or gravel for your own use.
- This exemption includes sand and gravel that you purchase and pay a contractor to install for your own use, but does not apply to sand or gravel supplied and installed by contractors in the performance of real property contracts, (ex: road construction and repairs). In these circumstances, the contractor is the consumer of the sand or gravel provided and must pay tax on its value.
- Recycled asphalt, sand/salt mixtures containing at least 80% sand, and shredded tires purchased directly by a municipality or LGD for its own use are exempt.

Please Note: Sand/salt mixtures containing less than 80% sand are taxable. However, if the supplier bills you for each item separately on the invoice (i.e. the sand, the salt and the mixing service), the charge for the sand is exempt from RST. The charges for the salt supplied and the mixing service are taxable.

Flood control goods and services

- The following goods and services can be purchased exempt of tax by municipalities and LGDs, for the purpose of flood control:
 - Filled sandbags,
 - Bags (and bag ties) designed and purchased for use as sandbags,
 - Polyethylene vapour barriers and membranes used in dike building
 - Flood tubes,
 - Cage flood barriers,
 - Sandbag filling services,

Other tax exempt supplies

- Non-chemical fertilizers, such as peat moss, top soil, loam and manure.
- Lime and other chemicals that are added to water or used in direct contact with water treated for sale to ratepayers. This includes water softener salts used to treat water for sale to ratepayers.
- Under *The Fuel Tax Act*, municipalities and LGDs can buy marked fuel for use in operating fire fighting equipment, lighting plants, hospital equipment, as well as for stationary/portable engines or tractors that are owned and operated by the municipality or LGD for making or repairing roads, drainage works or other municipal works.

For further information regarding fuel tax, please contact one of the Taxation Division offices listed at the end of this bulletin.

Section 3 – EXAMPLES OF TAXABLE PURCHASES**Equipment**

- Municipalities and LGDs are required to pay the tax on most purchases. The following list of taxable items is not a complete list.
 - Cars and trucks (excluding ambulances and fire trucks).

- Road maintenance and construction equipment, graders, scrapers, packers, water trucks, etc.
- Processing equipment, (ex: concrete or asphalt batch plants, rock crushers, etc).
- Sewage and water treatment plant equipment, including any charges in connection with the acquisition and installation of the equipment (ex: out of province freight, design fees, engineering fees and installation labour).
- Street and highway signs (contractor pays the tax when it's a supply and install contract).

Sewer and water pipe installation

- Sewer and water pipes, pumps, valves, gauges and other related equipment and materials.
- Sewer and water pipe lines remain tangible personal property even after installation; **they do not become real property**. Therefore the purchase of labour to install sewer and water lines and related equipment is generally subject to tax, **but not the installation charges relating to earth work**, such as trenching, excavating, coring, backfilling, etc.

Please note: On sewer and water contracts the cost to install the pipe is generally immaterial compared to the total contract cost, as the pipes simply fit into each other and do not require welding, wrapping or testing. To simplify the tax application on underground sewer and water contracts, contractors do not have to calculate and collect tax on the portion of the contract pertaining to the assembly of the pipe but must pay RST on their purchases of pipe and other materials used in the contract.

Materials for roads and bridges

- Asphalt and concrete purchased from a supplier.
- Timbers, pre-cast concrete and steel structural materials.
- When asphalt or concrete is produced by a municipality or LGD for own use, the RST is payable by the municipality or LGD on the "produced value" of the concrete or asphalt. The "produced value" is the aggregate of: cost of materials (other than sand and gravel), cost of direct labour, and manufacturing overhead (you may use your actual overhead rate or 150 per cent of the cost of direct labour, whichever is less).

Miscellaneous supplies

- Chemicals used in sewage treatment plants.
- Computer hardware and software and other office equipment.
- Fertilizers (but not organic fertilizers), agricultural lime, insecticides, fungicides, herbicides, rodenticides and weed control chemicals.
- Landscaping supplies, (ex: trees, plants, sod).
- Library supplies, (ex: tapes, CDs, DVDs, videos, magazines and other

similar media, except if the supplies are purchased for resale or rent).

Please note: Books (printed or on electronic media) that contain no advertising and are published for educational, technical, cultural or literary purposes are not taxable.

- Lumber, paint, hardware and other building materials.
- Printed materials.
- Repair parts and services for all equipment including ambulances, fire trucks and related fire fighting equipment.
- Salt, oil and other chemicals used to de-ice roads, streets and sidewalks, reduce dust or for construction of roads.

Section 4 – REQUIREMENT TO BE REGISTERED

Requirement to collect tax or remit tax on purchases

- Municipalities are required to register for RST purposes in the following circumstances:
 - When taxable purchases are made from out-of-province suppliers or other persons who have not collected sales tax. In this case you must self assess RST on the laid down cost which includes the basic purchase price, transportation from out-of-province, handling and other related charges (but not GST).
 - When you produce concrete, asphalt or other taxable goods for own use and are required to self-assess tax on its produced value.
 - When you sell or lease taxable goods, or provide taxable services at a retail sale, (ex: sales of sand and gravel, provision of gravel crushing, screening services, etc). You are required to collect tax on these sales and remit them on your RST return.
- Applications can be obtained at one of the Taxation Division offices or the web site listed at the end of this bulletin, in order to register and receive returns for remittance of the tax.

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

Westman Regional Office

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

Fax (204) 948-2087

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.