

# Information Notice

NOTICE RST 13-05  
The Retail Sales Tax Act  
Issued April 2013  
Revised May 2013

## RETAIL SALES TAX RATE CHANGE

### Transitional Rules

The 2013 Budget announced that, effective July 1, 2013, the retail sales tax rate will change from 7% to 8% until June 30, 2023. The following transitional rules will apply to vendors making taxable sales and purchasers required to remit sales tax directly to the Taxation Division on taxable purchases from non-registered vendors:

#### Taxable Goods

The 7% sales tax rate applies to taxable goods purchased before July 1, 2013, including:

- Goods purchased on credit or by deferred payment arrangements where payment is made after June 30, 2013.
- Goods that are fully paid for prior to July 1, 2013, but delivery is taken on or after that date.

The 8% sales tax rate applies to goods purchased after June 30, 2013, including goods for which the purchaser has made only a deposit on the purchase.

(For mobile, modular and ready to move homes, the same rules apply substituting 4% for 7%, and 4.5% for 8%).

#### Taxable Services (Other Than Telecommunication Services)

- Services completed prior to July 1, 2013 are taxable at 7%, regardless of the billing and payment date.
- Contracts for services entered into prior to April 17, 2013 are taxable at 7% for services provided up to November 30, 2013. This includes accommodation services booked with a deposit. (See exceptions for prepaid service arrangements below).
- Contracts entered into after April 16, 2013 for services that commence after June 30, 2013 are taxable at 8%.

#### Prepaid Service Contracts

- Prepaid service arrangements bought and paid for prior to April 17, 2013 are taxable at 7%, regardless of when the service is performed.
- *After April 16, 2013:*
  - Prepaid service arrangements where a vendor agrees to provide a service for a coverage period, i.e. periodic maintenance agreements – when the service period includes any day prior to July 1, 2013, tax applies at 7%; when the service period is completely after June 30, 2013, tax applies at 8%.

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- Prepaid service arrangements - such as spa packages - bought and paid for prior to July 1, 2013 where the prepaid package can be redeemed over a period of time that includes any time prior to July 1, 2013 are taxable at 7%. Prepaid packages that can only be redeemed after June 30, 2013 are taxable at 8%.

*Contracts for Specified Services to Tangible Personal Property  
(i.e. Not Based On a Service Coverage Period)*

- Contracts for installation, maintenance or other services to tangible personal property (including mechanical and electrical systems and production equipment) executed prior to April 17, 2013 are taxable at the 7% rate for services provided up to November 30, 2013.
- Contracts executed after April 16, 2013 for services to be provided over a time period that straddles July 1, 2013 must be segregated into the time before and after the transition date, with tax applied at 7% for the pre-July 1, 2013 period and 8% for post-June 30, 2013.
- Contracts to supply and install tangible personal property involve a sale of both goods and services. As above, contracts executed prior to April 17, 2013 are taxable at the 7% rate for installations up to November 30, 2013. Contracts executed after April 16, 2013 must be segregated based on goods installed before and after the transition date, i.e. progress billings for work before July 1, 2013 are taxable at 7%, after June 30, 2013 at 8%. For these contracts, the tax rate applies based on the installation date, even though title to the goods may pass at the completion of the installation project. However, billings for any holdback amount at the end of a contract are taxable at 8%.
- For contracts executed prior to April 17, 2013, grandfathered at the 7% rate for installations up to November 30, 2013, but extend beyond November, the transition rules above apply to the post-November 30, 2013 services on the same basis as the July 1, 2013 rules for other contracts.

*Services Provided By Billable Hour*

Where services (such as legal and accounting) are provided by billable hour, day or other periodic measure and billed after the services are delivered, tax applies at 7% on all pre-July 1, 2013 time and at 8% for time after June 30, 2013. Billings for periods that straddle July 1, 2013 must be segregated with the appropriate rate applied to each portion.

**Utilities**

*Telecommunication Services -Telephone, Cable TV, Internet Services:*

- The tax rate applies on the standard monthly package charge based on the billing date. Bills for service dated prior to July 1, 2013 are taxable at 7%, including billing periods that straddle that date. Bills for the standard monthly service package after June 30, 2013 are taxable at 8%.
- Tax applies on charges for optional or extra-billed services based on the date the service was provided, i.e. charges for long distance calls or pay-per-view movies purchased prior to July 1, 2013 are taxable at 7%, those purchased after June 30, 2013 are taxable at 8%.

*Electricity and Natural Gas:*

- There is no change for home heating, as the rate of 1.4% remains in place.

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- For all other uses (where tax has applied at 7%) - billing periods that include any day prior to July 1, 2013 are taxable at 7%. Billings for periods completely after June 30, 2013 are taxable at 8%. (For eligible mining, manufacturing and oil companies read 1.4% for 7% and 1.6% for 8%).

## Leased Goods

Lease payments made or billed prior to July 1, 2013 are subject to the 7% rate; those that become payable after June 30, 2013 are taxable at 8%. The applicable rate applies to the full lease period, including those that straddle or occur fully after June 30, 2013.

## Insurance

### *Definite Term Insurance Contracts (Excluding Group Contracts)*

The tax rate applies based on the effective date of the contract – contracts effective before July 1, 2013 are taxable at 7%, those effective after June 30, 2013 are taxable at 8%.

This includes multi-year contracts paid by instalments where the tax is collected annually. These contracts with an effective date prior to July 1, 2013 are grandfathered at the 7% rate.

### *Indefinite Term and Group Contracts*

Premiums payable prior to July 1, 2013 are taxable at 7%, regardless of the coverage period. Premiums that become payable after June 30, 2013 are subject to the 8% rate.

## Real Property Contracts

The 7% rate is grandfathered for goods and services purchased for incorporation into real property for all contracts executed prior to April 17, 2013 and completed prior to November 30, 2013. Contractors will be required to pay the 8% rate at source for goods and services acquired after June 30, 2013 based on the above rules, but can apply for a refund (or take an internal credit if applicable) of the 1% difference.

Refund claims must be made within 2 years of purchase using form *RT6 – Application for Refund General Use*, available at the website listed at the end of this Notice. Claims must include a copy of the contract signed prior to April 17, 2013, invoices showing tax at 8%, plus job cost sheets or other documentation linking the purchase to the contract.

For all other contracts, the tax rate applies on taxable goods and services acquired for incorporation into real property at the rate in effect at the time of purchase, as described in the taxable goods and services sections above. For contracts executed after April 16, 2013, the tax rate is not determined by the contract date. The contractor is the consumer of goods and services acquired to fulfill a real property contract, therefore the tax rate applies based on the timing of those purchases, not on the sale of the real property.

Subject to the grandfathering provision for pre-April 17, 2013 contracts - contractors that acquire goods on a tax-out basis and self-assess as they are used in jobs must pay tax at 8% when the goods are taken from inventory after June 30, 2013 for use in a real property contract. Goods taken from inventory prior to July 1, 2013 are taxable at 7%.

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## Refunds and Credits

Refunds of the sales tax on returned goods or cancelled sales must be provided at the same rate at which the tax was collected on the original sale.

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  
E-mail: [MBTax@gov.mb.ca](mailto:MBTax@gov.mb.ca)

### **Westman Regional Office**

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

## **ONLINE SERVICES**

Our Web site at [manitoba.ca/finance/taxation](http://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](http://manitoba.ca/TAXcess) provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.

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