

# Information Notice

**NOTICE RST 13-05**  
**The Retail Sales Tax Act**  
**Issued April 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 be in effect for taxable sales:

#### **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 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 – where the service period includes any day prior to July 1, 2013, tax applies at 7%; where the service period is completely after June 30, 2013, tax applies at 8%.
- 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 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 – *Unless the contract is executed and fully paid for prior to July 1, 2013, in which case the full charge is taxable at 7%.*

Where services 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.
- 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 paid prior to July 1, 2013 are taxable at 7%, regardless of the coverage period. Premiums paid after June 30, 2013 are subject to the 8% rate.

## Real Property 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 section on page 1 of this Notice. The tax rate is not determined by the date that the contract is executed. 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.

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%.

## 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.