

THE RETAIL SALES TAX ACT

INSTALLATION, REPAIRS AND IMPROVEMENTS TO REAL PROPERTY

This bulletin explains the application of retail sales tax (RST) by businesses that install goods into real property, or repair or improve real property. It will also help you determine whether goods that are installed or attached to buildings or land become real property or remain tangible personal property (TPP) after installation.

General information

- Services such as installation, repair, maintenance, painting, cleaning and other similar services listed in the Act are taxable when performed in respect of TPP, but are not taxable when performed in respect of real property (e.g., to install goods that become real property). Therefore, businesses that provide these services must determine whether the service (or a portion) was applied to TPP or real property.
- RST on goods and materials that are installed or used in the performance of a contract applies as follows:
 - When they remain TPP after installation, the RST is collectible by the contractor on the total amount billed, including the labour to install them.
 - When they become real property after installation, the RST is payable by the contractor on his/her cost of purchasing them.

What is real property?

- Real property is generally land, buildings and structures (other than storage structures that are not buildings). Goods and improvements that are permanently installed into buildings or land, are usually considered to become real property, **but the following items** (that are defined in the Act to be TPP) **do not become real property** even when installed on, under or in, or attached to buildings or land:
 - machinery, equipment and apparatus
 - storage structures that are not buildings
 - plumbing, heating, cooling, vacuum, electrical, electronic, and telecommunication systems and components (commonly referred to as M&E systems)
 - devices for attaching the above property to buildings or land
- A comparative status list of items is included in this bulletin to help you distinguish between real property and tangible personal property.

Note: Revisions to content of previous Bulletin (June 2005) have been identified by shading ().

Supply and install real property contracts

- Where a contractor “supplies and installs” materials or other goods into real property, or repairs or improves real property, the contractor is the consumer of the materials used. The contractor does not collect RST on the amount charged under the contract, but the contractor is required to pay RST on the purchase price of the materials or other goods supplied and used in the performance of a real property contract.
- RST does not apply on labour to install materials into real property.
- The following are examples of real property contracts on which the contractor is the consumer of the materials supplied and must pay the RST thereon:
 - constructing or painting a house, garage, or fence
 - installing a concrete or asphalt driveway
 - installing doors and windows into a building
 - installing eavestroughing, soffits and fascia materials
 - pouring the footing, basement walls or pilings for a building
 - shaping, tying and placing rebar on the construction site
 - landscaping services (For additional examples, see the comparative list in this bulletin)

Supply only contracts

- In “supply only” contracts, the contractor supplies the materials but does not install them. In this case the contractor does not pay RST on his/her cost of the materials supplied to the customer, but collects RST from the customer on the total selling price and remits it to the Taxation Division.
- The following are examples of materials on which RST is collected by the contractor when sold on a supply only basis:
 - concrete, asphalt, sand and gravel
 - windows, doors, shingles and lumber
 - eavestroughs, soffits and fascia materials
 - insulation, drywall and paint
 - carpeting, linoleum and other flooring
 - supply of any other taxable materials

Install only contracts

- In “install only” contracts, the customer provides the materials that the contractor installs. RST is not payable on labour to install materials into real property.

For example: A customer purchases doors and windows and then in a separate transaction hires a contractor to install them. In this case the customer must pay the tax when purchasing the materials, but no additional tax is payable on the installation charges.

Goods remain TPP after installation

- RST applies on the total charge for materials and installation labour where the materials do not become real property but remain TPP after installation. In this case, the contractor purchases the materials used in the performance of the contract RST exempt and collects the tax from the customer on the total contract price.

See Bulletin No. 005 – Information for Contractors for additional information pertaining to registration requirements and contractors responsibilities.

**Tangible
personal
property vs real
property**

The following comparative list is provided to help you distinguish between goods that remain TPP and goods that become real property after installation.

	<i>ITEM</i>	REMAINS TPP	BECOMES REAL PROPERTY
	• Air Conditioning Systems	√	
	• Appliances - portable or built-in	√	
	• Artificial Ice Plant for Hockey and Curling Rinks (i.e., machinery, equipment and built-in apparatus)	√	
	• Automated Banking Machines	√	
	• Awnings		√
	• Blackboards in Schools		√
	• Bowling Lanes		
	- Lane surfaces, gutters, ball returns		√
	- Related equipment such as automatic pinsetters, scoreboards, etc.	√	
	• Bridges		√
	• Bus Shelters		√
	• Cabinets, Shelving, Counters, and other furnishings permanently attached to buildings		
	- Domestic use		√
	- Used in a production process or to provide a service	√	
	• Cafeteria and Kitchen Equipment	√	
	• Carpeting		
	- Permanently attached wall-to-wall		√
	- Area rugs	√	
	• Catwalks, Walkways attached to Production Equipment	√	
	• Computer Hardware	√	
	- Computer cabling	√	
	• Concrete Foundations and Piling		√
	• Conduit	√	
	• Conveyors, Cranes, Hoists	√	
	- Related rails and supports installed permanently into concrete or an integral part of a building framing		√
	• Cold Storage Equipment	√	
	• Culverts		√
	• Dock Levellers		√
	• Door Openers/Operators		√
	- Security door systems (card, phone, code)	√	
	• Draperies and Tracks	√	
	• Dust Collectors	√	
	• Electrical Systems and Components	√	
	• Elevators/Escalators		
	- For people		√

	- Used for production (i.e. designed exclusively to move goods in a manufacturing or processing setting. Eg. An elevator used in a mine to move ore)	√	
	- Permanently installed dumbwaiters (both residential and commercial)		√
	• Environmental Controls	√	
	• Fencing		
	- Permanent		√
	- Temporary	√	
	• Fire/Burglar Alarm Systems and Bells	√	
	• Fire Protection Systems	√	
	• Fume Hoods	√	
	• Garbage Disposal Systems	√	
	• Grain Elevators (see Bulletin No. 020 – Grain Elevators)		
	• Heating Systems	√	
	• Hoists	√	
	• Hot Water Heaters	√	
	• Hydro Installations		
	- Dams (excluding related equipment)		√
	- Hydro dam equipment (generators, gates, etc.)	√	
	- Poles (wood, steel or concrete)		√
	- Towers		√
	- Sundry equipment related to poles or towers (guy wires, guards, anchor rods, etc.)		√
	- Cross arms	√	
	- Wire (overhead or underground)	√	
	- Conduit (overhead or underground)	√	
	- Transformers	√	
	- Sundry equipment related to wiring (e.g., insulators, switches, breakers)	√	
	• Ice Plants	√	
	• Lawn and Garden Sprinkler System	√	
	• Light Fixtures in Buildings	√	
	• Lightning Rods (Buildings, Structures, Equipment)	√	
	• Partitions – Movable or affixed, that are not an integral part of a building or structure	√	
	• Pipelines, and Refinery Piping (above and below ground)	√	
	• Plumbing systems	√	
	- General purpose building	√	
	- Fixtures (e.g., taps, toilet, shower, tub, etc.)	√	
	- Related to production equipment, e.g. boilers, hot water tanks, piping, valves, etc.	√	
	• Projection Equipment – Theatre	√	
	• Pumps (including domestic and commercial water systems)	√	
	• Radio, T.V., Microwave Towers		
	- Embedded within land		√
	- Antennas, microwave and satellite dishes, transformers, etc. (attached to a tower, land or building)	√	
	• Railway Tracks		√
	• Refrigeration Coolers/Freezers (self-contained)	√	

	- Walk-in cooler/freezers (designed as part of building)		√
	- Related cooling equipment	√	
	• Satellite Equipment	√	
	• Scoreboards	√	
	• Seating (permanently attached) Theatre, Gymnasium, Church or Arena		√
	• Sewage Treatment Plants		
	- Machinery and equipment	√	
	- Sewer pipelines (above and below ground)	√	
	- Buildings		√
	• Shelving (see Cabinets)		
	• Signs		
	- Attached to structures or buildings	√	
	- Painted directly on buildings or windows		√
	- Highway traffic signs		√
	- Way-finding Signage attached to structures or buildings (Eg. Exit sign, bathroom sign, etc.)		√
	• Solar Panel System (ground mounted or roof mounted)	√	
	• Sound Systems	√	
	• Stage Curtains, Backdrop and Main Curtain	√	
	• Stage Lift Equipment	√	
	• Stage Lighting	√	
	- Permanently installed	√	
	- Moveable lighting	√	
	• Storage Tanks	√	
	- Aboveground installation	√	
	- Underground	√	
	• Store Fixtures (see Cabinets)		
	• Street Lighting		
	- Poles		√
	- Light fixtures (including electrical system)	√	
	• Street and Road Guardrails		√
	• Swimming Pools		
	- Above ground (including related equipment and accessories)	√	
	- Below ground (including accessories and earth work but not related equipment)		√
	- Pumps, heaters, filters, piping, etc. for above and below ground pools	√	
	• Telecommunication Antennas and Microwave Dishes	√	
	• Telephone Line Installations		
	- All above ground cable and accessories	√	
	- Underground trunk lines and conduit	√	
	- Connections (trunk line to telephone)	√	
	- Poles, towers		√
	• Theatre Screens	√	
	• Ticket dispensers which activate an automatic gate or door in a car park (including the gate or door)		√
	• Ticket dispensers mounted on a post or wall that merely issue a parking privilege ticket	√	
	• Towers		√

• Traffic Signals		
- Poles		√
- Signal fixture (including electrical system)	√	
• T.V. Aerials and Dishes Installed on Buildings	√	
• Ventilation Systems	√	
• Warehouse Racking	√	
• Water Treatment Plants		
- Machinery and equipment	√	
- Water pipelines (above and below ground)	√	
- Buildings		√
• Windmill Equipment	√	

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

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Manitoba Toll Free 1-800-782-0318
Fax (204) 948-2087

Westman Regional Office

Manitoba Finance
Taxation Division
314, 340 - 9th Street
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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.