

THE RETAIL SALES TAX ACT

SOUND, LIGHTING AND AUDIO-VISUAL SERVICES

This bulletin explains the Retail Sales Tax (RST) application on equipment purchased by businesses that provide sound, lighting and audio-visual services and rentals.

General information

- The provision of sound, lighting or audio-visual services is generally not subject to tax.
- Equipment used to provide sound, lighting or audio-visual services is subject to tax. Who pays the RST depends on whether or not the supplier provides an operator with the equipment as explained below.
- RST is payable on the total retail sale price of produced tapes, CDs, DVDs, videos and other recordings sold in Manitoba.

Please Note: No tax is payable in respect of visual or audio recordings for the purpose of exhibition or broadcast to the public through radio, television, theatre or cinema. (See Bulletin No. 039 - *Film, Video and Audio Productions* - for additional information.)

- When music is piped into offices, shopping malls and other areas using telephone, satellite or other telecommunication lines, the applicable charge is taxable as a telecommunications service.

Equipment supplied with an operator

- Sound, lighting and audio-visual equipment supplied by a business along with an operator is regarded as the provision of a **non-taxable service** and not as the rental of equipment.
- In this case, the supplier is the consumer of the equipment, repairs, supplies and other items which he/she purchases (leases) to provide these services and must pay the RST thereon. The supplier does not collect RST on the charge to the customer.
- Equipment is considered to be operated by the supplier (a service) when the supplier accompanies the equipment and controls its functions during the task or event for which it was requested.

For example:

- Stage lighting and sound services provided at events such as plays, concerts, meetings, conventions, fairs or sporting events, (i.e. the supplier of the equipment operates and controls the lighting, or controls the amplification or mixing of sound, as the case may be, during the event).

Note: Revisions to contents of previous Bulletin (October 2016) have been identified by shading ().

- Dance music provided by a “DJ” at social functions.
- Audio-visual equipment provided at training seminars, concerts and sporting events, (i.e. the supplier of the equipment operates and controls it during the event).

Equipment supplied without an operator

- Sound, lighting and audio-visual equipment supplied without an operator (i.e. the customer operates the equipment) is **a rental** of equipment, and the RST must be collected on the total charge to the customer, including charges for:
 - Assisting the customer to set up and take down the equipment.
 - Technical support to ensure the equipment functions without interruptions.
 - Instruction to the customer’s staff on how to operate the equipment.
- Businesses using equipment **exclusively for rental** to others may purchase the equipment and any repairs to this equipment exempt of sales tax by providing their supplier with their RST number.

Multiple use of equipment i.e. to provide services and rentals

- If businesses use equipment for providing both services and rentals they must pay the RST on their total purchase price of the equipment, and in addition collect tax on the rental sales.
- If equipment was acquired tax exempt on the basis that it was being used exclusively for rental to others but is subsequently used to provide services (supplied with an operator), RST must be calculated and remitted to the Taxation Division based on a) or b) as follows:
 - a) If the equipment is only supplied occasionally with an operator to provide a service, the supplier must pay tax on a value equivalent to his/her regular rental charge for the equipment.
 - b) If the equipment is now being used 50 per cent or more to provide services, the supplier must remit RST on the taxable value of the equipment. For this purpose, the taxable value is estimated to be the undepreciated capital cost of the equipment recorded by the business for financial accounting purposes (minimum taxable value is 20 per cent of purchase price).

Sales tax payable on equipment for own use

- Businesses that are required to pay RST on their purchase (lease) of equipment and repairs, as explained above, must do so as follows:
 - If the purchases are acquired from a Manitoba vendor, RST must be paid to the vendor at the time of the sale.
 - If the purchases are acquired from a supplier who has not charged sales tax (e.g. an out of province supplier), the purchaser is responsible for calculating and paying the RST to the Taxation Division on the total costs, including currency exchange, brokerage and freight.
- If an out of province business brings equipment into Manitoba (that they

owned at least 30 days previously in another jurisdiction) for a temporary period to provide sound, lighting or audio-visual services, the business must self-remit the tax to the Taxation Division for each day the equipment is used (or available for use) in Manitoba.

Temporary use tax on out of province taxpayer owned equipment should be calculated on the following basis:

$$\text{Tax} = 7\% \times A \times B/1095$$

A = Fair value of the equipment upon entering Manitoba

B = Number of days used/available for use in the province

No tax is payable on the temporary use of equipment in Manitoba unless it is in Manitoba for a total of six or more days in a calendar year. Please see page 5 of Bulletin No. 005 *Information for Contractors* for additional information.

Do I need to register with the Taxation Division?

- Businesses that are required to collect RST on their rentals to customers or self-remit RST on purchases for their own use, as explained above, must register with the Taxation Division.
- Businesses that are registered will receive periodic returns from the Taxation Division to enable remittance of the 7 per cent RST collected/payable. For further information on filing and remittance requirements, see Bulletin No. 004 - *Information for Vendors*.

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
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.