

THE RETAIL SALES TAX ACT

ARCHITECTURAL DESIGN SERVICES

This bulletin explains how retail sales tax (RST) applies to architectural design services that relate to Manitoba, at the rate of **7 per cent**.

Section 1: APPLICATION OF TAX ON SERVICES

Architectural Design Services

- Architectural design services are design services provided by an architect, within the meaning of “the practice of architecture” under *The Architects Act* of Manitoba.

Services Relating to Manitoba

- Architectural design services relate to Manitoba if the design services are for a facility or project located in Manitoba. Services relating to Manitoba include design services provided by a non-resident architect for a facility or project in Manitoba, and design services provided to a non-resident client for a facility or project in Manitoba.

Application of Tax on Sales

- Architects who provide taxable design services must collect RST from their client.
- Sub-consultants (e.g. architects or structural, mechanical or electrical engineers) providing design services to a prime consulting architect are **not** required to collect RST on the sale of these design services. The prime consulting architect must provide their RST number to the sub-consultant to purchase the design services exempt from RST. The prime consulting architect collects RST on their total bill, which includes design services provided by the sub-consultant and prime consulting architect, as calculated below.

Taxable Architectural Design Services

- Taxable architectural design services are deemed to be 30 per cent of the following services provided by an architect:
 1. services in schematic design, design development, construction documents and bidding or negotiation phases of a project, as defined in Chapter 2.1.10 of the Canadian Handbook of Practice; plus
 2. disbursements related to those phases of a project

Note: The formula using 30 per cent of services (and disbursements) provided under these phases of a project, establishes a representative portion of the taxable design services provided by an architect that are included in their total architectural fees.

Note: Revisions to contents of previous Bulletin (July 2013) have been identified by shading ()

Calculation of RST

- RST on architectural design services is applied to 30 per cent of the total billings under - schematic design, design development, construction documents and bidding or negotiation - as follows:

Total services under those phases of a project (including disbursements)	<u>\$100,000</u>
Taxable architectural design services (30 per cent)	<u>\$ 30,000</u>
RST @ 7%	<u>\$ 2,100</u>

- This calculation applies whether architectural services are billed on an hourly rate, as a percentage of contract cost, or as a fixed-fee contract.

Exempt Services

- The following services provided by architects are not subject to RST:
 - design services related to facilities or projects located outside Manitoba
 - design services not within the meaning of the practice of architecture under *The Architects Act* (exemptions listed in subsection 25(1) of *The Architects Act*), ex. designing a personal residence under 400 square meters
 - services under the pre-design, construction-contract administration and post construction phases of a project (e.g. feasibility studies, environmental studies, general consulting or advisory services)
 - design services provided to the federal government, if an RST number is provided (architectural design services provided to federal Crown corporations and provincial government departments, agencies and Crown corporations are taxable)
 - design services provided to a Status Indian or Indian Band, if the services relate to facilities or projects located on a reserve (architectural design services provided for corporations owned by a Status Indian or Indian Band are taxable)
 - services provided by an architect to their employer in their course of employment

Note: Where exempt and taxable services are provided, the exempt services must be separately itemized or the entire charge is taxable.

Section 2: APPLICATION OF TAX ON PURCHASES**Purchases for Your Own Use**

- Architects and architectural firms are required to pay RST on purchases of equipment, services, and supplies used in their business. If purchased from an unregistered supplier (e.g. located outside Manitoba), RST must be self-assessed and remitted with the next tax return on the laid-down cost of the taxable goods or services (includes exchange, transportation, customs and duties, but not GST).

Section 3: REGISTRATION REQUIREMENTS

- Registration**
- Businesses providing taxable architectural design services are required to register for RST purposes and can apply online at Manitoba.ca/TAXcess. Applications for registration are also available on our Web Site or by contacting the Taxation Division Offices listed at the end of this bulletin.
- General Information for Vendors**
- See Bulletin 004 - *Information for Vendors* - explaining a vendor's obligations to collect and remit the retail sales tax.
 - See Bulletin 016 - *Record Keeping and Retention Requirements*
 - Bulletins are available at <http://www.gov.mb.ca/finance/taxation/bulletins.html>.

FURTHER INFORMATION

This bulletin is intended 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.