

Alarm Systems - Sale/Installation/Maintenance and Monitoring Services

This Notice explains the retail sales tax (RST) changes to alarm monitoring services that **come into effect July 1, 2004.**

Effective July 1, 2004 alarm monitoring services are subject to RST

Alarm monitoring purchased by individuals **solely** for medical alert purposes continue to be exempt, if separately itemized from taxable alarm monitoring services.

Transitional tax application for alarm monitoring services

Alarm monitoring services provided after June 30, 2004 are subject to RST.

- For alarm monitoring contracts in place on May 31, 2004 RST is applicable based on the payment date. Payments received (under the terms of an existing contract) prior to July 1, 2004 are not subject to RST, even if they relate to monitoring services provided after June 30, 2004. Payments received after June 30, 2004 are taxable.
- For alarm monitoring contracts signed after May 31, 2004 RST is applicable based on the period that the monitoring service is provided (not on the payment date). Monitoring services provided for a period after June 30, 2004 are taxable, even if paid before this date. For payments received during June, on these new contracts, it will be necessary to collect RST on the portion of the payment for services provided after June 30.

Sale, installation and maintenance of alarm systems

There have been no changes to the application of RST on alarm systems. RST continues to apply on all charges to supply, install, repair or maintain (including maintenance service agreements) alarm systems. Businesses that sell, install, repair or maintain alarm systems can purchase all materials installed (including subcontract installation services) as part of the alarm system or repairs to the alarm system exempt using their RST number, and collect RST on all amounts charged to their customer.

Exempt Sales

- Sales to a Status Indian or Indian Band are exempt if provided on a reserve. The purchaser must provide their treaty number or Band number to receive the exemption. Sales to a corporation owned by a Status Indian or Indian Band are taxable.
- Sales to the federal government are exempt. The federal government must provide their Manitoba RST number to receive the exemption. Federal crown corporations, provincial and municipal governments and agencies and provincial crown corporations are taxable.

Purchases by business that provide alarm monitoring services

Businesses that provide alarm monitoring services are required to pay RST on their equipment (including subcontract installation) and telecommunication services that they purchase and use to provide alarm monitoring services. This includes equipment owned by the monitoring business that is installed at their customer's premises (equipment must be returned at the end of the monitoring contract).

Monitoring equipment that is sold to the customer (ownership transfers to the customer) can be purchased RST exempt by the monitoring business by providing their RST number to their supplier. However, RST must be collected on all amounts charged to the customer for the equipment.

When a monitoring business provides "**free**" equipment to their customers (ownership transfers to the customer) the monitoring business can purchase the equipment (including subcontract installation and repair services) RST exempt by providing their RST number to their supplier. This equipment is considered to be purchased for resale if the ownership of the equipment transfers to the customer at the end of the monitoring contract. If the monitoring business has their own employee's install, repair or maintain this "free" equipment (for no charge), effective July 1, 2004, they will no longer have to self-assess RST on the "fair value" of their own labour costs to install or repair their customers equipment. RST must be collected on all amounts charged to the customer to install or repair the equipment.

REGISTRATION INFORMATION

Business that provide alarm monitoring services or sell, install, repair or maintain alarm systems are required to register as a sales tax vendor to:

- collect RST on taxable sales and;
- pay RST (self assess) on taxable purchases where RST was not paid to the supplier (i.e. supplier located outside Manitoba).

Registration applications are available on our Web Site at <http://www.gov.mb.ca/finance/taxation/forms.html> or by calling the Tax Information phone line at (204) 945-5603 or Manitoba toll free 1-800-782-0318.