

THE RETAIL SALES TAX ACT

RESTORATION SERVICES

This bulletin provides information on how the retail sales tax (RST) is to be applied by businesses that provide restoration services to buildings and contents.

Section 1 – APPLICATION OF TAX ON SALES

Definitions

- To understand the application of RST on restoration related services, it is important to understand the meaning of the following terms:

“real property” – is generally regarded to be land, buildings and structures (except storage structures that are not buildings), **but not any item that is defined to be “tangible personal property” in the Act** (see definition below). Some examples of items that are real property when installed into land or building are eavestroughes, wall-to-wall carpets, masonry chimneys, wall coverings, fences, driveways.

“tangible personal property” – is defined in the Act to be:

- personal property that is not affixed or attached to land or buildings, such as furniture, area rugs, drapery, paintings, dishes, clothing, power tools, offices equipment, motor vehicles
- machinery, equipment, apparatus and storage structures (other than buildings) that are used in a business operation - even when installed or attached to land or buildings - such as manufacturing equipment, storage tanks, signage, shelving, counters
- plumbing, heating, cooling, vacuum, electrical, electronic and telecommunication systems and components installed on, under or in, or attached to, buildings or land, such as electric wiring, water lines, telephone lines, furnaces, air conditioners and ductwork

These items will generally be referred to in this bulletin as **“building contents.”** For additional information to help you distinguish between real property and tangible personal property (TPP), see Bulletin No. 008 – *Installation, Repairs and Improvements to Real Property*.

“taxable services” – the following services are subject to tax when performed in respect of TPP: repairing, maintaining, inspecting, testing, cleaning, washing, polishing, painting, decorating, refitting, refinishing, reconstituting, remodelling, altering, adjusting, modifying, updating, upholstering or re-upholstering, processing, assembling, disassembling, installing and uninstalling. **These services are not taxable when performed in respect of real property.**

Note: Revisions to contents of previous Bulletin (December 2010) have been identified by shading ().

Application of RST on restoration services

- Restoration services generally involve one or more of the above stated services. Therefore the application of RST is dependent on whether the service(s) is performed in respect of real property or TPP. That is
 - a) When a business provides restoration services solely in respect of a building or other real property, RST does not apply on the amount charged for the service. However, the service provider is the consumer of any building materials, cleaning materials and other supplies used to provide the restoration service, and must pay RST when purchasing these materials.
 - b) When a business provides services to restore TPP (i.e. building contents), RST applies on the total amount charged for the service, including labour and materials. In this case, the service provider is not required to pay RST on his/her purchases of cleaning materials and other supplies used to provide the service.
 - c) When a restoration contract involves services described in both a) and b), the business must show the appropriate charges for the services to real property separately on the invoice from the charges relating to TPP, and apply the RST according to a) and b).

Please note: Where services to real property and TPP are not shown separately, the total amount charged on the invoice is taxable.

- d) When restoration businesses rent equipment such as fans, dehumidifiers, etc., to customers, they must collect RST on the rental charge. They may purchase this equipment tax exempt if the equipment is used **exclusively for rental**. They must pay the RST (as indicated in Section 2) if the equipment is also used by the business to provide restoration services.
- e) Restoration businesses that purchase TPP, such as furniture, drapery or cleaning solutions, for resale may purchase them tax exempt, but must collect RST from the customer on the price charged for the TPP.

Taxable restoration services (re: building contents and other TPP)**THE FOLLOWING ARE EXAMPLES OF TAXABLE RESTORATION SERVICES:**

- Cleaning, washing, dry-cleaning, or deodorizing TPP such as:
 - Furniture, mattresses, electronic equipment, household appliances
 - Dishes, cookware and linens
 - Office furniture and equipment, signage
 - Area rugs, draperies and blinds
 - Furnaces, hot water tanks, air-conditioners, ductwork and other built-in appliances
 - Light fixtures
- Repairing, re-upholstering or refinishing TPP such as:
 - Furniture, electronic equipment and appliances
 - Furnaces, ductwork, hot water tanks, central vacuums

- Telephone lines and computer cable, burglar/fire alarms
- Electrical and plumbing lines and related fixtures
- Sorting, listing, examining, tagging, packing and unpacking building contents to determine which contents are to be restored or disposed
- Additional charges for pick-up/delivery in connection with a taxable service

Exempt restoration services (real property)

THE FOLLOWING RESTORATION SERVICES ARE NOT SUBJECT TO RST:

- Removing and disposing debris, including dumping fees
- Listing disposed items
- Extracting water from a building
- Dehumidifying, deodorizing or drying a building, including charges to set-up, monitor and remove related equipment, such as fans, ozone equipment and dehumidifiers
- Building construction
- Building renovations, such as
 - Painting the interior or exterior
 - Repairing walls, ceilings, woodwork and windows
 - Removing and replacing drywall, door frames, baseboards, soffit, fascia insulation and other building components
 - Repairing or replacing permanently installed wall-to-wall carpet or flooring, including removing the carpet and underpad
- Building cleaning services, such as
 - Cleaning walls, ceilings, woodwork and windows
 - Cleaning permanently installed wall-to-wall carpet or flooring
- Miscellaneous pick-up and delivery charges (that are not in connection with a taxable service)
- Storage charges, including separate charges to store building contents after cleaning

Section 2 – APPLICATION OF TAX ON PURCHASES

Materials purchased to restore building contents (TPP)

- The following are examples of materials and services that may be purchased tax exempt when used to provide taxable restoration services on building contents (TPP):
 - Soaps and other cleaning solutions
 - Disinfectants, deodorizers and similar products
 - Paint, stain, varnish and other materials used to refinish furnishings
 - Repair parts and services for resale, such as repairs to electronic equipment, furnaces/ducting, electrical wiring, office equipment, etc.
 - Appliances, furniture and other goods for resale purposes (to replace goods that can not be restored)

Please note: To purchase these materials tax exempt, restoration businesses must quote their RST number to the supplier.

Materials purchased to restore buildings (real property)

- Restoration businesses must pay RST on all their purchases of materials, such as soap, disinfectants, deodorizers, paint and building materials that they use to clean, repair or provide any restoration service on buildings and other real property.

Materials used to restore both TPP and real property

- Where a business provides restoration services to both TPP and real property and it is impractical for the business to account separately for materials and supplies used in respect of real property from those used in respect of TPP, the business may purchase the materials RST exempt and self-assess the RST on a reasonable estimate of the materials used to provide real property services.

For example: If 40 per cent of the total business revenue is from cleaning real property and 60 per cent is from cleaning TPP, then 40 per cent of the cost of the supplies are estimated to be used in providing services to real property. In this case, you would self-assess RST on 40 per cent of the value of the supplies purchased.

Equipment and supplies purchased for own use

- The following goods and services purchased or rented by restoration businesses for own use (i.e., used to provide a service) are subject to RST:
 - Equipment and tools such as dehumidifiers, ozone and deodorizing machines, vacuum cleaners, fans, laundry equipment, construction tools, warehouse trucks/lifts, etc.
 - Motor vehicles
 - Office furniture, fixtures and equipment
 - Miscellaneous supplies such as business stationery, boxes and other packing materials

Please note: Where taxable goods for own use are purchased or leased from a supplier who did not charge RST (ex: an out-of-province supplier), you must self-assess the applicable RST and remit it to the Taxation Division when submitting your next return.

Section 3 – REQUIREMENT TO BE REGISTERED

Do all restoration businesses need to be registered?

- Businesses that provide restoration services to building contents or sell other taxable goods or services are required to register as a “vendor” under RST.
- Application forms for registration are available from the Taxation Division offices or Web site listed in this bulletin. There is no charge for applying.

Collecting tax

- Vendors that are required to collect RST on sales must show the tax separately on the invoice.
- Where RST is collectible on a sale, the vendor is deemed to have collected it. Vendors who do not charge the applicable RST as required are nevertheless required to remit it to the Taxation Division.

- Remitting the tax**
- Registered vendors are required to remit the RST, which they have collected and/or self-assessed on purchases, to the Taxation Division on regular returns. Returns will be mailed to you before the date each return is due. Alternatively, tax returns can be completed and paid online using Manitoba's TAXcess service. Visit the site at manitoba.ca/TAXcess.
 - Where you are required to self-assess RST on your purchases, you must remit the tax to the Taxation Division on the laid down cost of the item, which includes the basic purchase price, transportation, currency exchange and other related costs (but not GST).
- Proper use of the RST number**
- The RST number is assigned by the Taxation Division. A vendor also quotes his/her RST number to suppliers when purchasing goods and services that he/she is allowed to purchase exempt (see Section 2).
- Please note:** An RST number does not permit a person to purchase goods or services without paying the RST if they are for own use.
- Change of business status**
- An RST number is not transferable. The Taxation Division must be notified immediately when you change your business status, ex: name, address, sell your business or cease to operate.

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.