
THE RETAIL SALES TAX ACT

GOODS AND SERVICES PURCHASED FROM OUT-OF-PROVINCE SUPPLIERS

This bulletin outlines the requirements for businesses and other purchasers to pay the Retail Sales Tax (RST) on goods and services purchased, leased or acquired from out-of-province suppliers.

Section 1 – TAX APPLICABLE ON GOODS AND SERVICES FOR OWN USE

RST is payable on goods and services purchased for own use

- Under *The Retail Sales Tax Act*, taxable goods and services acquired for “own consumption or use” in Manitoba are subject to 7 per cent RST, whether the goods or services are purchased (or leased) in Manitoba or are purchased out-of-province and brought into Manitoba.
- To help you determine which goods and services are taxable, see Bulletin No. 030 – *Summary of Taxable and Exempt Goods and Services*.

What is “own consumption or use”?

- The term “own consumption or use” includes:
 - The purchase, lease or acquisition of goods or services for the purchaser’s own use or benefit, including manufacturing equipment, office equipment, stationery, vehicles, tools, and other supplies purchased by businesses
 - The purchase, lease or acquisition of goods or services for the use or benefit of others at the purchaser’s expense, e.g., give-aways and other promotional items provided free to another person (See Bulletin No. 037 – *Promotional Distributor for additional information*.)
 - The purchase or manufacture of goods for incorporation into real property (See Bulletin No. 005 – *Information for Contractors*, for additional information.)
 - The storage and exercise of any right or power over goods in Manitoba (except when they are stored for resale purposes)
- The term “own consumption or use” does not include:
 - Goods and services purchased for purposes of resale (or leasing)
 - Goods that qualify as a catalyst or direct agent under the Act
 - Goods and services that are processed into, manufactured into, attached to, or incorporated in other goods/services for purposes of resale.

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

Taxable goods and services acquired out-of-province

- When taxable goods or services are purchased, leased or acquired out-of-province for the purchaser's own consumption (use) in the province, the purchaser is required to pay RST as described in Section 2.
- Taxable goods and services purchased, leased or acquired out-of-province for the purchaser's own consumption (use) include the following:
 - Goods or services that were purchased from an out-of-province supplier
 - Goods that were manufactured, processed or produced outside the province by the purchaser
 - Goods that were initially acquired for own use outside the province and are subsequently transferred into Manitoba. The RST applies on the fair value of the goods at the time they enter into the province. In the case of leased goods, the lease payments are subject to RST while the goods are located in the province.
 - Goods that are brought into Manitoba for temporary use only (For additional information, see Bulletin No. 005 – *Information for Contractors*.)
 - Goods that were held for resale purposes outside the province and are removed from inventory for own use in Manitoba
 - Promotional goods or services that are distributed from outside the province (or within) to a person in Manitoba

Section 2 – PAYING THE TAX ON GOODS AND SERVICES FOR OWN USE

When is the RST payable on purchases?

- When goods and services purchased for own consumption are acquired from a vendor that is registered to collect RST in Manitoba (including an out-of-province vendor), the tax is collectible by the vendor at the time of sale.
- When individuals bring goods into the province that they purchased in the United States, the Canadian Border Services Agency (CBSA) will collect the applicable RST at the border on behalf of Manitoba Taxation. CBSA also collects tax on goods that are brought into Manitoba through Canada Post or courier services.

Please note: CBSA does not collect RST when the importer of the goods is a commercial entity. Therefore, commercial entities are required to self- assess the RST as indicated in the next point.

- When taxable goods and services purchased for own consumption are acquired tax exempt (e.g., from a vendor that is not registered to collect RST or those removed from tax-free inventory held for resale), the purchaser must self-assess the RST on the "purchase price" and remit it to the Taxation Division.

Self-assessing the RST on the “purchase price”

- Where a purchaser has not paid the applicable RST on taxable goods and services acquired for own consumption, he/she is required to self-assess RST on the total “purchase price” of the items as follows:
 - Where the goods are purchased or leased, the “purchase price” is the total of:
 - The basic cost of the goods (or lease payments where applicable)
 - Currency exchange on the goods (i.e., Canadian dollar equivalent)
 - Brokerage charges
 - Transportation charges
 - Any other costs (excluding GST) related to the goods
 - Where the goods are manufactured out-of-province by the purchaser, the “purchase price” of the goods is the total of:
 - The cost of materials
 - The cost of direct labour
 - Manufacturing overhead at 150 per cent of the cost of direct labour, or the actual overhead rate, whichever is less
 - 15 per cent of the aggregate of materials, labour and overhead

Note: Do not calculate this line if the goods are for installation into real property.

 - Any other costs related to the goods, e.g., transportation, brokerage, currency exchange, etc.

Please note: If the purchaser regularly sells the same or similar goods to others with whom they deal at arm’s length, the purchaser may choose (for simplicity) to pay the RST on his/her regular selling price of the goods instead of using the above calculation.

- For taxable repair services, the “purchase price” is the total of:
 - The basic repair bill
 - Any other charges relating to the repair service, e.g., crating and transportation charges with respect to shipping the TPP into Manitoba from out-of-province. However, transportation costs to ship the TPP out-of-province for repair are not taxable.
- Where a vendor collects RST from the purchaser, but the vendor’s selling price does not include all charges in connection with the sale, such as transportation into Manitoba, the purchaser is required to self-assess RST on the additional charges (e.g., transportation).

How to remit RST payable on purchases?

- Businesses registered under RST should report any tax payable on purchases for own consumption on line 3 of their next return and remit it together with any tax collected for the period.
- Purchasers that are not registered under RST, or do not receive a return, should complete Form R.T. 8 - Casual Purchaser’s Return to report the taxable purchases and submit it to the Taxation Division together with the tax payable on or before the 20th of the month following the month the purchases were made. These forms are available from any Taxation Division office or the Web site listed at the end of this bulletin.

Responsibility of vendors to collect RST and purchasers to pay RST

- A vendor registered under RST is required to collect RST on taxable sales unless the purchaser is acquiring the goods or services for resale or other exempt purpose. To allow the exemption, the vendor must obtain the purchaser's RST number and record it on the invoice. Tax collected must be remitted to the Taxation Division on the RST Vendor's Return.
- Where a purchaser has not paid the applicable RST on taxable goods or services acquired for own consumption, he/she is required to self-assess and remit the tax as previously discussed in this bulletin.
- A vendor who fails to collect the RST as required under the Act, and a purchaser who fails to pay RST on taxable goods and services acquired for own consumption, is liable for the amount of the tax he/she failed to collect or pay (as the case may be), plus accrued interest and penalty. When failure to collect or remit RST is due to negligence, or is a wilful act, additional penalties and fines may apply.
- See Bulletin No. 004 – *Information for Vendors* for a more complete summary of vendors' and purchasers' responsibility under RST.

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 *Regulation* stated below. 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.