

THE RETAIL SALES TAX ACT

PRINTING, DESKTOP PUBLISHING and RELATED SERVICES

This bulletin outlines the Retail Sales Tax (RST) application on printed matter and printing services, including desktop publishing and related services.

Section 1 – GENERAL INFORMATION

Taxable sales

- The sale of printed matter produced on a printing press, photocopier or other similar duplicating process is generally subject to tax.
- Desktop publishing products are taxable when sold in hard copy form or on computer disk, CD ROM, USB flash drive or other data storage device. See Section 4 in this bulletin for additional information.
- Printing services and the following related services are taxable: binding, lithographing, multigraphing, duplicating, engraving, imprinting, typewriting, folding, addressing, mailing, collating and related functions (except in respect of “exempt sales” below).

Exempt sales

- The following printed matter and related printing services may be purchased tax exempt:
 - Books as described in Section 3 of this bulletin
 - Magazines and newspapers that are provided to the public without charge
 - Student yearbooks
 - Printed matter or related printing services purchased for resale purposes
 - Printed matter that is included with the sale of other goods, e.g., warranty cards, manuals, instruction for assembly, labels, etc.
- To allow exempt sales of printed matter or printing services, the vendor must obtain the purchaser’s RST number and record it on the invoice.

Machinery and equipment

Machinery, equipment and other apparatus used in the production of printed matter or in providing a printing service, and the repairs thereof, are subject to RST. Where these items are purchased without payment of tax (e.g., purchased from an out-of-province supplier), the purchaser must self-assess the tax at 7 per cent of the purchase price (excluding GST) and remit it to the Taxation Division. For items purchased outside Manitoba, the tax is payable on the laid-down cost, including freight,

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currency exchange, duty, brokerage, installation and other related charges.

Section 2 - DIRECT AGENTS

What is a direct agent?

- In the case of printing and related services discussed in this bulletin, a direct agent is a material that is consumed directly and exclusively in manufacturing printed matter or providing a printing service for sale. The materials must come in direct contact during the manufacturing process with the goods being printed or the goods to which a printing service is being rendered, or be incorporated into the product for sale. In this respect, the following are direct agents:
 - Materials impressed with or carrying or displaying an image for reproduction by printing or photographing, i.e., type, printing plate, cylinder, film, artwork, design, photographs, press blankets, and metal, rubber, plastic or paper material
 - Chemicals used for the development of an image to be reproduced

Exemption for direct agents

- The Act provides an exemption for direct agents that are purchased and used to manufacture printed matter or provide related services **for sale**. Where direct agents are not purchased to produce goods or services for sale, the purchaser must pay the RST when purchasing them.
- To allow the exemption for direct agents, the vendor must obtain the purchaser's RST number and record it on the invoice.

Please note: Direct agents used to produce exempt books, student year-books, and magazines and newspapers that are provided to the public without charge may be purchased tax exempt.

- Where the direct agents are purchased to produce goods for own use, see Section 5.

Examples of taxable vs exempt supplies

- The following are some examples of the tax status on commonly used supplies by printers:

| Supply | T - Taxable E - Exempt | Reason |
|-------------------------------------|---------------------------|--|
| - Developer chemical | E | direct agent |
| - plate cleaner | T | cleaning supply |
| - plate developer | E | direct agent |
| - plate rejuvenator | T | cleaning supply |
| - plate protector | T | used to store plate |
| - plate/blanket shims | T | not in direct contact with final product |
| - fountain solution | E | direct agent |
| - image enhancers | E | direct agent |
| - static remover | E | incorporated into final product |
| - transfer tape to join paper rolls | E | incorporated into final product |

| Supply | T - Taxable E - Exempt | Reason |
|---|---------------------------|---|
| - layout materials | E | direct agent |
| - proofs | E | direct agent |
| - sleeve cleaner | T | cleaning supply only |
| - light filters | T | not in direct contact with final product |
| - color control strip | T | not in direct contact with final product |
| - dampener sleeves | T | not in direct contact with final product |
| - dry silver laser photo paper | E | direct agent (newspapers) |
| - computer software | T | not in direct contact with final product |
| - anilox roll | E | direct agent |
| - doctor blade | E | direct agent |
| - plate mount tape | T | not in direct contract with final product |
| - printer rolls (for attaching printing plates) | T | not in direct contact with final product |
| - ink rollers | E | direct agent |

Section 3 - EXEMPTION FOR BOOKS

Exempt books

- No tax is payable on books that meet both of the following conditions:
 - a) They are printed and permanently bound with a distinct cover; consist of loose leaf sheets or pages that are printed and punched for insertion in a binder; or are in a media format capable of being viewed, printed or listened to by means of an electronic device
 - b) They are produced for use by the general public, published solely for educational, technical, cultural or literary purposes and **contain no advertising**.
- Comic books, music books and atlas books that are bound and contain no advertising are regarded to be exempt books.
- Educational workbooks – for details see *Information Notice - Exemption For Educational Workbooks*.

Meaning of “produced for use by the general public”

- This requirement refers to situations such as an accounting firm that has its own audit or training manuals that are closely controlled by the firm and not generally available to anyone outside the firm. Such manuals would not be regarded as produced for use by the general public. However, accounting firms sometimes issue to clients and other interested parties such items as printed reviews of government budgets. Those reviews would be regarded as produced for use by the general public.

Meaning of “bound with permanent binding”

- A permanent binding is any form of fastening pages along a margin, but merely stapling, or otherwise fastening, a number of pages in one corner is not regarded as a permanent binding. A book must also have a front and a back cover that are distinct from the pages of the book.

Meaning of “contains no advertising”

- Advertising is a message that is intended to induce readers to purchase goods and services offered by the publisher. This includes the repeated display of a company logo or name throughout a publication. The mere mention of the publisher’s name or a listing of titles of other books by the same publisher at the beginning or end of the book is not considered to be advertising.

Taxable books and other items

- **The following types of items do not qualify for the exemption for books and are always subject to RST:**
 - directories
 - price lists
 - timetables
 - rate books
 - address books
 - scrapbooks
 - pamphlets and flyers
 - scribblers
 - notebooks
 - blueprints
 - fashion books
 - albums
 - promotional books
 - periodic reports, e.g. annual reports
 - newsletters
 - newspapers
 - magazines and other periodical publications
 - manuals, including manuals sold with taxable goods, training manuals and manuals produced for use by an organization
 - catalogues
 - binders and covers
 - logbooks and books for record-keeping
 - puzzle books
 - loose leaf sheets, plain, lined or graph
 - loose leaf sheets printed and punched for any item in this list

Section 4 – DESKTOP PUBLISHING**What is desktop publishing?**

- For purposes of this bulletin, “desktop publishing” refers to the creation of computer-generated products that can be used to produce printed matter, or other images, negatives, plates, etc., used to produce printed matter with an off-set press, laser printer, photocopier, digital printer or other duplicating process. In other words “desktop publishing” generally refers to the products that enable a duplicating process of printed matter but does not include the actual duplicating process itself.
- Some examples of desktop publishing products are: logo and letterhead designs, graphic designs, pictures, typesetting, layouts, etc., including the proofs provided to a customer.

Are desktop publishing products subject to RST?

- The sale of desktop publishing products discussed above is generally subject to RST when sold in hard-copy form, i.e. on a computer disc, CD-ROM, USB flash drive or other data storage device.
- Desktop publishing products may be purchased RST exempt in the following situations:
 - When purchased for resale or incorporated into another product for resale.
 - When purchased and used to manufacture printed matter or services for sale, i.e., they are regarded to be direct agents as discussed in

Section 2 of this bulletin.

- When the vendor delivers the product to the purchaser electronically only, i.e., the vendor does not provide the purchaser with a tangible form of the product on a back-up disc, drive or other hard-copy form.

Please note: Although desktop publishing products are not taxable in the above situations, the value of these products is incorporated into the selling price of taxable printed matter produced from these products and the RST applied thereon.

- RST is payable on desktop publishing products purchased by a purchaser to produce printed matter for own use (including the products that were delivered electronically only). For example, a purchaser acquires desktop publishing products from one supplier, and then uses them to acquire printing services for own use from another supplier. In this case, the RST is payable on the total produced value of the printed matter, which is the combination of the purchase price of the desktop publishing products and the printing services. Where the RST has not been paid on the total value, the purchaser must self-remmit the applicable RST to the Taxation Division. For additional information on printing for own use, see Section 5 in this bulletin.

Other non-taxable services

- When a vendor simply provides a keying function and produces an original item that is not intended for duplication purposes, such as a personal resume, thesis, manuscript, letter or business report, RST does not apply on the charge for the service. In this case, the supplier of the service must pay RST on all the paper, ink and other materials purchased to produce the item.

Section 5 – PRINTING FOR OWN USE

Tax on “fair value”

- A person that produces taxable printed matter for own use by means of a printing press, digital printer, laser printer or other duplicating process must pay RST on the “fair value” of the finished product. Where the person regularly sells similar items at a retail sale, the “fair value” of the item produced for own use is its regular selling price. Otherwise the “fair value” is the total of:

- a) The cost of materials, plus
- b) 220 per cent of the cost of materials.

For example: The cost of all materials to produce 50 employee operational manuals is \$500. Therefore the taxable value is $\$500 + (\$500 \times 220\% = \$1,100) = \$1,600$, and the RST payable is $\$1,600 \times 7\% = \112 .

- The materials and services used in printing for own use are regarded to be direct agents and may be purchased RST exempt. If tax has been paid on the materials or services at the time of purchase, the amount of tax paid may be deducted from the amount of tax payable calculated on the “fair value,” and the difference remitted to the Taxation Division.

- Where printed matter produced for own use is not taxable (e.g., a book), the person producing the book may purchase the materials and direct agents RST exempt that are used directly to produce the book (e.g., paper, ink, photographs, artwork, layouts, printing plates, film, etc.).

**Meaning of
“cost of
materials”**

- For purposes of calculating the RST on the “fair value” of printed matter, the term “cost of materials” includes such items as paper, ink, plates, press blankets, film, design, artwork, layout and other items purchased from outside sources, including desktop publishing products received on disc, CD ROM, USB flash drive or by electronic means.

**Printing for
general office
purposes**

- The Taxation Division generally does not regard printed matter produced for own use on a photocopier or other type of printer “for general office purposes” to be subject to RST based on the “fair value” formula discussed above. In this case, the RST applies only on the cost of paper, toner and other materials used.

Please note: Printed matter produced for own use is not considered to be for general office purposes where the total “fair value” of the printed matter for the year exceeds \$50,000 and where any of the following situations apply:

- Printed matter is produced in an in-house print facility/department.
- Printed matter is produced as a result of purchasing printing-related services, such as typesetting, designs, desktop publishing services, etc.
- Printed matter is of a type or volume that would normally be produced by a commercial printer.

In this case, RST is payable on the total “fair value” of all printed matter produced for own use in a year.

**Maintenance
copy charges**

- The charge for maintenance agreement contracts on photocopiers is frequently based on a per copy charge. The RST applies as follows:
 - Where the copy charge is primarily for equipment maintenance, the total charge is always taxable.
 - Where the copy charge is for equipment maintenance and supplying the toner, the total charge is taxable where the photocopies are used for general office purposes. But where the copy charge results from photocopies being produced for resale or RST is payable on the “fair value” of the photocopies as described in Section 5, the charge for the toner qualifies for a RST exemption if the supplier shows the amount charged for toner and the amount charged for maintenance separately on the invoice.

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:

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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.