

THE RETAIL SALES TAX ACT

GRAIN ELEVATORS

This bulletin is intended to help grain elevator companies and contractors correctly apply the retail sales tax (RST) on materials, equipment and repairs purchased for grain elevator construction and operations.

Section 1 – GENERAL INFORMATION

- RST is payable on all materials purchased to construct, maintain or repair grain elevator buildings, storage sheds, railway spurs, driveways and other real property associated with grain elevator operations.
- RST is not payable on the labour charged to construct, maintain or repair real property such as buildings, driveways and fences.
- RST is payable on the total contract price (including materials and labour) to install plumbing, heating, cooling, vacuum, electrical, electronic, and telecommunication systems (referred to as M&E systems) on, under or into land or buildings. See Bulletin No. 031 – *Mechanical and Electrical Trades* for additional information.
- RST is payable on purchases of all grain elevator handling and processing equipment and on the labour to install, maintain and repair the equipment. These items are not regarded to be real property even when they are attached to the grain elevator.
- Grain elevator companies are required to be registered for RST purposes if they sell hardware, pet foods and other taxable items, or if they purchase taxable items for their own use without paying the tax (ex: from out of province). To register, applications can be obtained at one of the Taxation Division offices or Web Site listed at the end of this bulletin. Companies that are registered will receive tax returns from the Taxation Division on which they must report and remit the RST collected or self-assessed.
- The following items commonly sold by grain elevator companies are not subject to RST: rental charges for farm machinery and equipment when used for farming, farm field crops, agricultural feeds, medicines for livestock, fertilizers, insecticides, fungicides, herbicides and rodenticides for farm use, and bale twin and wire. To allow an exemption for farm use, grain elevator companies must obtain a “farm-use” certificate from the purchaser.

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

For additional information see Bulletin No. 018 – *Farm-use Equipment and Other Items*.

Please note: The sale of fertilizers, insecticides, fungicides, herbicides and rodenticides for non-farm use is subject to RST.

Section 2 – GRAIN ELEVATOR BUILDINGS

What are grain elevators?

- Grain elevators are buildings used by grain elevator companies to hold farm field crops purchased by them for resale. A grain elevator may be constructed from concrete, metal or wood and includes the office, unloading areas and annexes. These buildings are regarded to be real property, **but** grain handling equipment and M&E systems installed or attached to the buildings remain tangible personal property (TPP). For additional information pertaining to real property, see Bulletin No. 008 – *Installation, Repair & Improvements to Real Property*.
- Large metal tanks purchased by grain companies to hold their grain for sale are treated the same as grain elevators, i.e., they become real property when installed.

Please note: Other tanks used to store fertilizer, or grain that is being cleaned or dried, do not become real property. For RST purposes, these tanks are treated the same as other grain handling and processing equipment discussed in Section 3 of this bulletin and are subject to RST.

How does RST apply on contracts to construct or repair grain elevators?

- The RST application on contracts to construct or repair grain elevators is the same as on other real property contracts. That is,
 - RST is payable on the materials and supplies that are installed into the building **but not** on the labour to install the materials, and
 - RST is payable on the total cost of installing M&E systems (ex: electrical service, lighting, water and sewer lines, natural gas line, telephone line, furnace, etc.), **including** materials and labour.
- Who pays the RST on the materials or M&E systems installed into the grain elevator depends on who purchases the materials. For instance,
 - Contractors must pay the applicable tax on their cost of purchasing any materials they supply and install into real property. In this case, the contractor is considered to be the consumer of the materials.
 - Where the grain elevator company provides the materials, the grain elevator company is the consumer and must pay the RST on its purchase price of the materials.
 - In the case of an M&E contract (materials remain TPP), the M&E contractor must collect RST on the total contract price from the principal or the general contractor, as the case may be, but may purchase the materials and supplies used in the contract RST exempt.
 - When a real property building construction contract includes the supply

and/or installation of M&E systems, the general contractor pays RST on the M&E system and includes the RST in their total price for the real property contract. Please refer to Bulletin No. 005, *Information for Contractors* and Bulletin No. 031, *Mechanical and Electrical Trades*.

- Where a contractor manufactures goods and uses them to perform real property contracts, he/she must pay the RST on the fair value of the manufactured goods. For additional information on determining the fair value of manufactured goods, see Bulletin No. 005 – *Information for Contractors*.

Supply only contracts for building materials

- Where a contractor supplies building materials to a grain elevator company but does not install them, he/she must collect RST from the grain elevator company on the total selling price of the materials. In this case, the contractor may purchase those materials tax exempt. The RST collected must be shown separately on the invoice and remitted to the Taxation Division by the contractor.
- Where a contract provides for both the “supply only” of some building materials and the “supply and installation” of other building materials into real property, the contractor must collect RST on the selling price of the “supply only” materials and pay RST on the cost of materials supplied and installed into real property.

Section 3 - GRAIN ELEVATOR EQUIPMENT

Grain handling and processing equipment

- Grain elevator companies must pay RST on their total cost of purchasing equipment (including cost of installation) for their grain elevator operations. Some examples of grain handling and processing equipment purchased by grain elevator companies are:
 - annex drives
 - augers
 - belts
 - boot pan
 - cable trays
 - computer equipment for office or processing
 - conveyor legs
 - cups
 - dust collectors
 - electrical wiring related to equipment
 - feed mill equipment
 - fire devices
 - grain cleaners and accessories.
 - grain dryers
 - head motors
 - hoist
 - hopper scale
 - rail car progressioners or other similar equipment
 - receiving scale
 - shelving and racks
 - spouting manlifts
 - switch gear
 - tanks used to store fertilizer, or used for cleaning and drying grain
 - electric transformers

- Where equipment is purchased by a grain elevator company without payment of tax, (ex: purchased from an out of province supplier), the grain elevator company 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, currency exchange, duty, brokerage and other related charges, but not GST.
- RST on installation of grain elevator equipment**
- The Act deems handling and processing equipment (ex: grain elevator equipment) to be tangible personal property, even when installed in, or attached to, buildings or land. Unlike building materials, the equipment does not become real property upon installation. Therefore, RST is payable on the purchase price of the grain elevator equipment and the total amount charged for installing it. Some examples of installation charges that are subject to RST include: labour to assemble equipment, hoisting into place, design fees, providing an electrical service and connecting it to the equipment, commissioning and any other charges in connection with the installation of equipment.
 - Contractors are required to collect the RST on their total charges for supplying and/or installing processing equipment. In this case, they may purchase the equipment and materials they supplied and installed tax exempt. The RST collected must be shown separately on the invoice and remitted to the Taxation Division.
- Repairs to grain elevator equipment**
- Grain elevator companies must pay RST on the total amount charged for repair services to grain elevator equipment, including parts and labour. Where the repair services are acquired through a service agreement, the RST applies on the purchase price of the service agreement and any additional amount charged at the time of receiving the service.
- Contract to construct grain elevator and install equipment**
- When a real property building construction contract also includes the supply and installation of the grain handling and processing equipment the contract price must be separately billed or segregated on a combined invoice otherwise the total contract price would be taxable.
 - a) The contractor must pay RST as outlined in this bulletin, on goods and services installed into real property (including the installed M&E systems).
 - b) For the supply and installation of the equipment, the contractor must collect and remit the RST on the total selling price related to this portion of the contract price.
- Out of province contractors**
- Grain elevator companies are responsible for the tax compliance by out-of-province contractors. Where an out-of-province contractor fails to pay the RST on materials and equipment used in the performance of a real property contract in Manitoba, or fails to collect the applicable RST, the grain elevator company is required to pay the unpaid amount of RST to the Taxation Division. For additional information, see Bulletin No. 005 – *Information for Contractors*.

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 Regulation. 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.