

## THE RETAIL SALES TAX ACT

### AIRCRAFT PURCHASED FOR COMMERCIAL USE

This bulletin outlines the application of retail sales tax (RST) on aircraft and related materials and services purchased by commercial air carriers and other businesses that use aircraft *for the purposes of trade*.

#### Section 1 – GENERAL INFORMATION

- In this bulletin commercial aircraft means aircraft used *for the purposes of trade* as explained in Section 3.
- RST generally does not apply on aircraft, parts and services purchased by approved commercial air carriers when used solely to **transport passengers or goods** for gain (see Section 2 for conditions of exemption).
- *Commercial or business-use* aircraft that are not used to transport passengers or goods for gain **do not qualify** for the RST exemption. However, if the aircraft is operated inside and outside the province *for the purposes of trade*, it may qualify for a partial RST exemption (see Section 3 for details).
- Aircraft purchased by individuals for private use in Manitoba are subject to RST. See Bulletin No. 026 – *Aircraft Purchased for Private Use*.
- For aircraft designed and used for crop spraying, see Bulletin No. 018 – *Farm-use Equipment and Other Items*.
- For aircraft purchased by flying schools, clubs and rental companies, see Bulletin No. 025 – *Aircraft Used for Rental and Other Purposes*.

#### Section 2 – AIRCRAFT, PARTS & SERVICES PURCHASED BY AIR CARRIERS

##### RST exemption for commercial aircraft

- RST does not apply on the purchase of an aircraft by an air carrier that meets **all** of the following conditions:
  - The aircraft is used **solely** to transport passengers or cargo for gain.
  - The aircraft is registered as a commercial aircraft under the *Aeronautics Act* (Canada) or the regulations.
  - The purchaser has been approved as an air carrier under the *Aeronautics Act* (Canada) or the regulations.

Note: Revisions to content of previous Bulletin (November 2014) have been identified by shading ( ).

- The purchaser has been issued a licence under the *Canada Transportation Act* or the regulations to transport passengers or cargo for gain.
  - Where all of the above conditions are **not** met, but an aircraft is used *for purposes of trade*, see Section 3.
- RST exemption on parts and services**
- Parts, repairs and other maintenance services acquired for exempt commercial aircraft may be purchased RST exempt, such as aircraft inspections, mechanical repairs, painting, cleaning, de-icing and other services.
  - Supplies such as pillows, blankets, earphones, cutlery, non-reusable food containers, hydraulic oil and engine oil that are normally carried in the cabin or installed into the aircraft are considered to be non-taxable parts.
- Statement of exemption**
- To obtain the RST exemption on the purchase/lease of a commercial aircraft (including parts, services or cabin supplies), the air carrier is required to provide the seller with a signed statement certifying that the aircraft satisfies the conditions listed above.
- RST exemption for meals and beverages**
- RST does not apply to meals or beverages served to passengers on a commercial aircraft, whether or not the passengers are charged separately for those items. For example,
    - 1) Air carriers are not required to pay RST on purchases of meals and beverages (including alcohol) served to passengers.
    - 2) Where the air carrier charges the passengers separately for meals or beverages, the carrier does not collect RST on the charge.
  - To obtain the exemption on meals and beverages, the air carrier shall provide his/her RST number to the seller.
- Taxable purchases**
- EXAMPLES OF SOME ITEMS PURCHASED BY COMMERCIAL AIR CARRIERS FOR USE IN MANITOBA ON WHICH THEY MUST PAY RST :
    - ground support equipment, such as cars, trucks, carts, trailers, loading bridges, tractors (but not fire trucks and ambulances)
    - shop equipment, tools and supplies
    - cleaning and de-icing supplies for own use (these supplies are not taxable when purchased to provide a service at a retail sale)
    - flight simulators and other pilot training equipment
    - office equipment and supplies
    - ticket reservation equipment, including computer hardware and software (but not custom software as explained in Bulletin No. 033 – *Computer Software and Programming Services*)
    - baggage handling equipment and security equipment
    - baggage control tickets, boarding passes, ticket packages, time tables, tour guides, pamphlets and other similar printed supplies
    - other promotional items, gifts and prizes

- Airlines that purchase any of the above items in bulk and distribute them throughout the system are required to pay Manitoba RST only on the portion of the purchase price that is applicable to the items distributed or used by the airlines in Manitoba.

### Section 3 – AIRCRAFT PURCHASED BY BUSINESSES (OTHER THAN AIR CARRIERS)

#### Meaning of *for purposes of trade*

- Aircraft operated *for purposes of trade* includes commercial aircraft used to transport passengers or cargo for gain and other aircraft used directly in the operation of a business. Some examples of other aircraft used in the operation of a business are:
  - producing aerial photographs for sale
  - fighting forest fires
  - pilot training
  - transporting company executives, customers or goods in a company-owned aircraft

**Please note:** For aircraft used **solely** to transport passengers or cargo for gain, see Section 2.

#### RST partial exemption for aircraft

- When an aircraft is used both within and outside Manitoba *for the purposes of trade*, but is not used solely to transport passengers or cargo for gain, the purchaser is required to pay RST on the purchase or lease of the aircraft and on the related repair parts and services, calculated on the basis of the following formula:

$$\text{Purchase/lease price of aircraft, parts and services} \times \frac{\text{Manitoba hours}}{\text{Total hours}} \times 7\%$$

- Businesses may purchase the aircraft, parts and services RST exempt by providing the seller with their RST number. When completing their next RST return, they must self-assess the tax as calculated above and remit it to the Taxation Division. Businesses that have paid the RST to the seller may apply (if applicable) to the Taxation Division for a partial refund of the tax paid.
- The proration used for this calculation should fairly reflect the intended usage of the aircraft in Manitoba during its useful life. At the time of self-assessing the RST, the proration may be based on previous experience, subject to adjustment when the actual operating data for the year has been ascertained and again at two years if a significant change in operation of the aircraft occurs.

#### Parts and services

- For purposes of calculating the RST, goods normally carried in the cabin of the aircraft and parts and repair services installed into the aircraft should be included in the above formula. Some examples are repair parts, aircraft inspections, washing, cleaning and de-icing of aircraft, mechanical repairs, painting, engine oil, hydraulic oil, pillows, blankets and other cabin supplies.

**Please note:** Materials such as cleaning fluids and glycol purchased by businesses for their own use in Manitoba do not qualify for the RST exemption.

- RST does not apply to licence fees, runway fees, hanger fees and other similar charges.
- Air ambulance exemption**
- RST does not apply to the purchase or lease of an air ambulance that is fully equipped and one hundred per cent dedicated to an air ambulance service.
  - Also exempt are related medical equipment and supplies that meet the exemption criteria for goods designed solely for use by blind or physically disabled persons or chronic invalids – examples include stretchers, wheelchairs, resuscitators, oxygen equipment, cervical collars, and splints. Repairs and replacement parts for exempt medical equipment are also exempt. See *Bulletin No. 002 – Drugs, Medical Equipment and Supplies* for more information

The exemption does not apply to general first aid goods and supplies, such as bandages, dressings, gauze, and tape. Equipment used by ambulance personnel to provide care is also taxable (ex. stethoscopes, blood pressure monitors, defibrillators)

**Please note:** Replacement parts and services to repair or maintain an air ambulance do not qualify for RST exemption, unless the aircraft also qualifies for the exemption for commercial aircraft described in Section 2. Where the exemption does not apply and the air ambulance is normally operated within and outside the province, the RST payable on replacement parts and services may be prorated as explained above.

- Geophysical survey aircraft exemption**
- RST does not apply to the purchase or lease of geophysical survey aircraft. The aircraft must be designed and equipped with geophysical survey or exploration equipment and used solely for prospecting or exploring for minerals (minerals defined in *The Mining Tax Act*). Geophysical survey aircraft purchased out of province and brought into Manitoba on a temporary basis are eligible for the exemption.

**Please note:** Replacement parts and services to repair or maintain the aircraft do not qualify for the RST exemption.

## 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](mailto:MBTax@gov.mb.ca)

## **ONLINE SERVICES**

Our Web site at [manitoba.ca/finance/taxation](http://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](http://manitoba.ca/TAXcess) provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.