

THE RETAIL SALES TAX ACT

WEB SITE SERVICES AND INTERNET SERVICES

This bulletin outlines the application of retail sales tax (RST) to web site services and Internet services.

Section 1 - WEB SITE SERVICES

General information

- The service charges to set-up a web site are generally not taxable. However other goods and services purchased in conjunction with web site services, or consumed by the designer in developing the web site, may be taxable as discussed later in this bulletin.

Examples of exempt web site services

- Consulting services to discuss design, options or benefits of a web page with potential customers.
- Design and production of the web page. These services are exempt whether the designer places the product directly on the Internet or delivers it on disk, CD-Rom or electronically to the customer.
- Services to search, apply for and register the domain name.
- Web site hosting service fees (fixed and/or usage) and charges to install and store web site information on a server (i.e. virtual hosting).
- Custom software programs that are custom developed for a specific customer's web page. These programs are commonly referred to as applets and enable embellishments on a web page such as animated buttons or sequences, flashing messages, pop-up windows, or scrolling status bar and banners. Where the applet is not custom developed for a specific customer, refer to "Taxable situations" below.

Taxable situations re web site services

- Web page designers must pay RST on any pre-written software, licence fees and taxable services purchased to produce the web page or the custom-developed applet for a specific customer. The designers must also pay RST on other purchases such as computer hardware, diskettes, CDs, telecommunications and other materials and supplies used to provide their services.

- Where an applet provided in the web page is pre-written (i.e., it is not custom software), RST applies as follows:
 - Where the designer includes the applet in the price charged for producing the web page, the designer is the consumer of the pre-written applet and must pay the RST when purchasing it. In this case the customer does not pay RST on the applet.
 - Where there is a separate charge to the customer for the applet, the designer must collect the RST from the customer on the amount charged. In this case, the designer is considered to acquire the applet for resale and is not required to pay tax when purchasing it.

For additional information on custom computer software, see Bulletin No. 033 - *Computer Software & Programming Services*.

- Artwork or graphic designs that are sold to a customer separately on disk, CD-Rom or other hard copy formats. The tax is payable on the total amount charged for these items even though the item(s) may also be used to produce a web page.

Section 2 – INTERNET SERVICES

- Taxable service**
- Internet is considered to be a telecommunications service providing customers with access to a number of services such as e-mail. Therefore the total charges for this service (including access, sign-up, registration, set-up and configuration fees) provided to Manitoba users are subject to RST.
 - Organizations that provide Internet access to users at no charge are required to pay sales tax on their purchase of Internet access services.
- Resellers of Internet services**
- Internet service providers that purchase Internet access and other telecommunication services exclusively for resale to customers, may quote their RST number to purchase the services exempt.
- Exemption for training**
- Charges for web site and Internet training and technical support are not subject to tax, if these services are not acquired as a condition of purchasing other taxable goods or services and are shown separately on the invoice.
- Collecting and remitting RST**
- Businesses that provide any of the above taxable services are required to be registered with the Taxation Division and must collect and remit the RST. For additional information, see Bulletin No. 004 – *Information for Vendors*

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.