

THE RETAIL SALES TAX ACT

RENTAL OF MACHINERY AND EQUIPMENT

This bulletin explains the application retail sales tax (RST) on the rental of machinery and equipment.

General information

- Any charge whatsoever payable by a lessee in connection with the rental or lease of tangible personal property is subject to tax.
- Tangible personal property includes: machinery, equipment, furnishings, apparatus, etc.

Equipment supplied without an operator

- Equipment provided without an operator (i.e. the customer operates the equipment) is a **rental** of equipment, and the RST must be collected on the total charge to the customer, including charges for:
 - Rental, repairs & maintenance, parts or operating supplies, insurance, interest, delivery, pick-up, termination & cancellation fees, etc.

Please note: Delivery is not a taxable service if the charge for it is shown separately on the invoice, and is in addition to the regular selling price of the equipment, as established by the vendor. The “regular selling price” is the price normally charged by the vendor for the equipment rental **when the customer takes delivery of the equipment at the vendor’s premises**. A subsequent charge for the pick-up and return of the equipment is also not subject to RST, if the above criteria are met.

- Assisting the customer to set up and take down the equipment.
- Technical support to ensure the equipment functions without interruptions.
- Instruction to the customer’s staff on how to operate the equipment.
- Businesses using equipment **exclusively for rental** to others may purchase the equipment and any repairs to this equipment exempt of sales tax by providing their supplier with their RST number.

Equipment supplied with an operator

- Equipment provided by a business along with an operator is regarded as the provision of a **service** and not as the rental of equipment.

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

- In this case, the supplier is the consumer of the equipment, repairs, supplies and other items which they purchase (lease) to provide these services and must pay the RST thereon. The supplier does not collect RST on the charge to the customer unless the service is a taxable service. Taxable services include: repairing, maintaining, installing, testing, cleaning, etc. of tangible personal property.
- Equipment is considered to be operated by the supplier (a service) when the supplier accompanies the equipment and controls its functions during the task or event for which it was requested.

For example:

- Stage lighting and sound services provided at events such as plays, concerts, meetings, conventions, fairs or sporting events, (i.e. the supplier of the equipment operates and controls the lighting, or controls the amplification or mixing of sound, as the case may be, during the event).
- Earth moving equipment hired to level land where the equipment operator is an employee of the equipment owner or contractor.
- Audio-visual equipment provided at training seminars, concerts and sporting events, (i.e. the supplier of the equipment operates and controls it during the event).

Multiple use of equipment i.e. to provide services and rentals

- If businesses use equipment for providing both services and rentals they must pay the RST on their total purchase price of the equipment, and in addition collect tax on the rental sales.
- If equipment was acquired tax exempt because it was being used exclusively for rental to others and it is subsequently used to provide services (supplied with an operator), RST must be calculated and remitted to the Taxation Division based on a) or b) as follows:
 - a) If the equipment is only supplied occasionally with an operator to provide a service, the supplier must pay tax on a value equivalent to their regular rental charge for the equipment.
 - b) If the equipment is now being used 50 per cent or more to provide services, the supplier must remit RST on the taxable value of the equipment. For this purpose, the taxable value is estimated to be the undepreciated capital cost of the equipment recorded by the business for financial accounting purposes (minimum taxable value is 20 per cent of purchase price).

Sales tax payable on equipment for own use

- Businesses that are required to pay RST on their purchase (lease) of equipment and repairs, must do so as follows:
 - If the purchases are acquired from a Manitoba vendor, RST must be paid to the vendor at the time of the sale.
 - If the purchases are acquired from a supplier who has not charged sales tax (ex: an out of province supplier), the purchaser is responsible for calculating and paying the RST to the Taxation Division on the total costs, including currency exchange, brokerage

and freight.

- If an out of province business brings equipment into Manitoba for a temporary period to provide a service, the business must self-remit the tax to the Taxation Division for each day the equipment remains in Manitoba. **No tax is payable on the temporary use of equipment in Manitoba unless it is in Manitoba for a total of six or more days in a calendar year.** See page 5 of Bulletin No. 005 – *Information for Contractors* for details on how to calculate the tax payable on temporary use of equipment.

Do I need to register with the Taxation Division?

- Businesses that are required to collect RST on their rentals to customers or self-remit RST on purchases for their own use, as explained above, must register with the Taxation Division.
- Businesses that are registered will receive a monthly return from the Taxation Division to enable remittance of the **7** per cent RST collected/payable. Alternatively, tax returns can be completed and paid online using Manitoba's TAXcess service. Visit the site at manitoba.ca/TAXcess.

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

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.