

THE RETAIL SALES TAX ACT

PERSONAL SERVICES

Effective July 1, 2012, retail sales tax (RST) was applied to designated personal services. This bulletin outlines the taxable personal services and provides information on registration, reporting requirements and tax on purchases, as they relate to vendors of these services.

Section 1 – TAXABLE GOODS AND SERVICES

RST applies on the sale of the following services:

- Hair services**
- Hair services, including haircuts (including shaving services and beard/moustache trimming) hairstyling, conditioning, perms, wash and sets, blow-drying, up-dos, colouring, and highlights.

Haircuts priced less than \$50 per person are exempt. Other hair services (as listed above) provided along with a haircut can also be sold exempt, as long as the total of the cut and the hair service is less than \$50 per person.

Please Note:

- To get the exemption, the service must include haircutting.
- No other goods or services can be included under this exemption.
- If there are services for more than one customer on a bill, the charges for each customer must be shown separately.
- Other goods and services must be shown separately on the sales invoice, with tax charged on taxable goods and services.

Examples of how RST applies on hair services (as described above):

Service	Ex. 1 No Haircut	Ex.2 Sale <\$50	Ex. 3 Sale <\$50	Ex. 4 No Haircut	Ex. 5 Sale >\$50
Wash & Set	25.00				
Cut & Style		25.00	42.00		42.00
Hair Colouring		24.00		46.00	46.00
Subtotal	25.00	49.00	42.00	46.00	88.00
GST - 5%	1.25	2.45	2.10	2.30	4.40
RST - 7%	1.75	-	-	3.22	6.16
Total	\$ 28.00	\$51.45	\$44.10	\$51.52	\$98.56

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

**Taxable services
continued**

- Other miscellaneous hair services are fully taxable, including:
 - Hair extensions, weaving;
 - Eyelash extensions, brow and lash tints and treatments,
- Hair augmentation services, including:
 - Implants, hair rejuvenation, laser hair therapy.
- Hair removal services, including:
 - Electrolysis, laser removal, pulsed light, sugaring, threading, waxing etc.
- Non-medical skin care and aesthetician services, including:
 - Nail services - manicure, pedicure, buffing;
 - Facials;
 - Laser skin treatments: ex. for age spots, spider veins, acne;
 - Make-up services - make-up application, permanent cosmetic services etc.;
 - Skin exfoliation, body polishes, microdermabrasion, scrubs, wraps, and peels.
- Body modification services, including:
 - Ear and body piercing,
 - Tattoos - permanent or temporary, including airbrush and henna tattoos (see Section 2 – Non-taxable Services for exception);
 - Tattoo removal,
 - Scarification,
 - Body branding.
- Spa services, including:
 - Scalp treatments,
 - Hydrotherapy,
 - Foot detox,
 - Mud baths and wraps,
 - Sauna and steam bath services,
 - Aromatherapy,
 - Bathing, Vichy shower;
 - Non-dental teeth whitening (i.e. services provided by a practice of dentistry are exempt);
 - Prepared meals, see Bulletin No. 029 – *Food and Beverages* for more information on this subject.
- All tanning services, including air-brush tanning and spray-on tanning services. (Tanning services provided via ultraviolet light emitting devices have been taxable since July 1, 2010.)

Taxable goods

- Many businesses that sell the above services also sell taxable goods such as shampoo, nail polish, grooming appliances, and cleansing products for the customer's own use. These products are subject to RST when sold to the final consumer. Businesses must collect and remit the tax on sales of these taxable goods. See Bulletin No. 030 – *Summary of Taxable and Exempt Goods and Services* for more information.

Section 2 – NON-TAXABLE SERVICES

Non-taxable personal services

The following personal services are not subject to RST:

- Medical and reconstructive treatments provided by a medical doctor, nurse, or dentist. This includes areola tattooing services provided on the basis of a written order from a medical doctor directing them to provide areola tattooing/permanent makeup services for the individual named in the order. (This does not include hair augmentation or removal services, or tattoo removal).
- Cosmetic injection procedures administered by a nurse or medical doctor. Cosmetic injectables (such as botox, juvederm, and restylane) are also exempt when purchased for use by a nurse or medical doctor.
- Skin services provided by a nurse or medical doctor are exempt.
- Massage therapy, acupuncture, physiotherapy, reflexology, ear candling and chiropractic treatments.
- Children's face painting and children's temporary tattoos.

Section 3 – TAX APPLICATION ON SALES PACKAGES, GIFT CARDS, MISCELLANEOUS

Combined sales

- Where taxable and exempt goods or services are sold together, the service provider must segregate the prices on the invoice to show a separate fair value amount for each item or service sold, and charge RST on the taxable goods and services only. For example:

Description	Sale Type	Ex. 1	Ex. 2	Ex. 3	Ex. 4
Cut & Style (<\$50 Exempt)	Hair Service	40.00	40.00	40.00	
Facial (Taxable)	Aesthetics	20.00			20.00
Manicure (Taxable)	Aesthetics			30.00	
Purchase Hair Product (Taxable)	Product			25.00	25.00
Massage Therapy (Exempt)	Massage		60.00		
Subtotal		60.00	100.00	95.00	45.00
GST - 5%		3.00	5.00	4.75	2.25
RST - 7%		1.40	-	3.85	3.15
Total		\$64.40	\$105.00	\$103.60	\$50.40

- Combined sales of both taxable and exempt goods and services, where the taxable and exempt charges are not separately stated, are subject to RST on the total sale price.

For example, where a spa invoices as follows for both the use of a tanning booth and for a massage, RST will apply to the total charge:

Spa services	\$200.00
GST – 5%	10.00
RST – 7%	14.00
Total	<u>\$224.00</u>

Presold packages of multiple services i.e. “Series sales”

- With certain presold service packages – referred to as series sales – the customer is pre-paying for a particular service on multiple (a series) occasions, and the prepaid card cannot be redeemed for anything else. Where the series of services are taxable services, the RST applies when the sale of the series is made – not on redemption.

For example: If a series of 10 - \$30.00 haircuts is purchased for \$300.00, no RST is applicable because each haircut is below \$50.00. If a series of 5 - \$35.00 perms is purchased for \$175.00, the entire \$175.00 is subject to RST because perms are taxable when purchased without a haircut

Gift certificates/gift cards

- Gift cards that are sold that have a specific dollar value and are not for a specific service are treated like cash on redemption. RST is not applicable when the gift certificate/card is purchased. Instead, RST is collected on the total value of the taxable goods or services that are sold when the certificate/card is redeemed.

Gratuities

- Gratuities that are shown separately on the bill, or paid separately by the customer, are not regarded to be part of the selling price of the service, and are not taxable.

Section 4 – PURCHASES BY PERSONAL SERVICE PROVIDERS

Purchase of goods for resale

- Goods purchased for resale to customers for their own use (ex. shampoo, skin care products) and non-returnable packaging (ex: shopping bags) can be purchased exempt of RST. In order to receive the exemption, service providers must provide their Manitoba seven-digit RST number to their supplier, who must record it on the sales invoice.

Exempt goods purchased for use in providing a taxable service

- Effective July 1, 2012, goods incorporated into a taxable service can be purchased RST exempt by the service provider. Examples include: nail polish, make-up, nail tips, and body ornaments (with piercing services).
- Goods that are applied directly to a customer’s body, have a transformative effect while in contact, and are consumed completely in the performance of a taxable personal service can be purchased RST exempt by the service provider. Examples include shampoo, soap, skin care products, cotton balls/Q-tips, single use tattoo needles, replacement razor blades, clipper blades and trimmer blades.
- The exemption also includes certain single-use items purchased for use in providing a taxable service and used in the following ways:
 - for temporary application to the customer’s body, such as depilatory wax;
 - to apply or remove other goods from the body, such as epilating rolls and strips;
 - devices, such as single-use emery boards, used directly on the customer’s body in the course of providing a taxable service.

Businesses can buy these goods exempt by providing their supplier with their seven-digit Manitoba RST number.

The following are examples of exempt and taxable goods specific to certain categories of personal services (* denotes devices that must be single-use to qualify for exemption):

Hair supplies

Exempt

colouring caps*
conditioner
cotton coil*
end paper*
foil*
hair colouring products
hi-lighting caps*
perm solution
petroleum jelly
replacement razor blades
trimmer & clipper blades
clipper blade sharpening
trimmer blade sharpening
shampoo

Taxable

applicator bottles
cleaning & disinfectant supplies
colour bowls
colouring/tint brushes
combs/ brushes
curling irons
flat irons
Gloves
perm rods
scissors
scissor sharpening
trimmers
clippers

Pedicure, manicure & hair removal supplies

Exempt

applicators*
depilatory wax
bits for electric nail files
epilating rolls and strips*
gel
nail polish & top coat
nail tips
exfoliating gloves*
emery boards*
electrolysis needles
pumice stone*
sugaring paste/products
sanding bands
toe separators*

Taxable

applicator bottles
cleaning & disinfectant supplies
electric nail file systems
equipment cleaners
equipment, including gel nail lamps
gloves
make-up applicators
nail brushes
nail drills
slippers (reusable)
table/bed paper

Spa supplies

Exempt

body wrap products
cleansers
exfoliation materials*
masks*
moisturizer
mud
Peels and toners

Taxable

cleaning & disinfectant supplies
robes
slippers (reusable)
table/bed paper
towels

Tattoo supplies**Exempt**

bactine
 ink
 masking tape / transpore tape*
 petroleum jelly
 rubbing alcohol
 saran wrap / tatu-derm*
 skin markers*
 stencil paper
 stencil stuff and similar products
 surgical soap
 tattoo needles

Taxable

barrier covers
 cleaning & disinfectant supplies
 dental bibs and drape sheets
 disposable tubes
 Elastics
 Grommets
 ink caps
 nitrile gloves
 plastic cups
 tongue depressors

Taxable goods for own use

- Businesses are required to pay RST on all purchases of equipment, supplies and taxable services acquired for their own use in operating their business. Examples are service equipment (ex. salon beds and furniture, styling stations, wash units, hair dryers, carts, trolleys, laser equipment, tanning beds); cutting and shaving tools (ex: clippers, trimmers, shears, scissors); accessories (ex. towels, basins, brushes, makeup applicators, gloves, capes); office equipment, signs, brochures, forms and other stationery, computer software, promotional items, uniforms, building cleaning supplies, accounting services and equipment repair services.

Registered vendors are not permitted to use their Manitoba seven-digit RST number to purchase taxable goods or services for their own use exempt from RST.

Self-assessing RST on purchases for own use

- Personal service providers must pay Manitoba RST on purchases of taxable goods brought into Manitoba from out-of-province for their own use. The tax is payable on the total landed cost of the goods, including the basic selling price, shipping, handling and any other costs in connection with the purchase, except GST. If the supplier is not registered to collect Manitoba RST, service providers must report (self-assess) the tax payable as tax on purchases on line "3" of their RST vendor's return and remit the tax directly to the Taxation Division, along with the tax they have collected on sales.

See Bulletin No. 014 - *Goods and Services Purchased from Out-of-Province Suppliers* for more information.

Goods purchased from other non-registered sellers (i.e. private individuals) for a business's own use are also subject to RST. Tax on these purchases must also be reported and paid directly to the Taxation Division as described above.

Section 5 - REGISTRATION REQUIREMENTS**Vendors required to**

Businesses providing taxable personal services and/or selling taxable goods are required to register for RST purposes and can apply online at

register Manitoba.ca/TAXcess. Applications for registration are also available on our web-site or by contacting the Taxation Division office listed at the end of this bulletin.

Independent service providers

- Some businesses, such as hair salons, have service providers located on their premises that operate independently. These independent service providers are required to register and report RST separately, if they sell taxable goods or services separately from that of the business that they operate from. Alternatively, the business operator may voluntarily agree to collect and remit the RST on behalf of the independent service providers that operate out of their premises. The business operator should contact the Taxation Division for more information.

Filing RST returns

- Vendors are encouraged to use the Taxation Division's online service - TAXcess at manitoba.ca/TAXcess. TAXcess provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts. Further information on filing returns is available in Bulletin No. 004 – *Information for Vendors*.

Registration exception for small businesses

- Small businesses, with annual taxable sales of goods and services under \$10,000, are not required to register and collect RST, provided that they purchase all taxable goods and services used in their business from vendors that collect Manitoba RST. (*Businesses that use out of province suppliers will generally not be eligible for this exception and must register to collect the tax*).

Eligible businesses that project that their annual taxable sales will be under the threshold can choose not to register and collect RST. These businesses are required to:

- pay RST to their suppliers on all taxable goods and services purchased for their own use;
 - pay RST on all taxable goods and services purchased for resale, and
 - keep records of their sales.
- Businesses under the \$10,000 threshold will be required to register and collect RST after their annual sales exceed \$10,000.

Please refer to RST Information Notice - *Registration Requirement Eliminated for Small Business* for more information.

Section 6 – OTHER INFORMATION

Retention of records

- All businesses are required to keep and maintain adequate records and to make them available for audit or inspection purposes. For more information, please refer to Information Bulletin No. 016 - *Record Keeping and Retention Requirements*.

Sale of business or part business

- The Taxation Division must be notified every time a business or part of a business is sold. The seller must apply for a clearance certificate that certifies that all applicable taxes have been paid and they must supply a copy of the certificate to the purchaser.

The purchaser of the business or part-business is required to pay RST

on the purchase price of the acquired taxable assets. Assets that are subject to RST include the following:

- Tools and equipment,
- Furniture,
- Shelving,
- Office equipment.

For more information on selling a business, please refer to *The Tax Administration and Miscellaneous Taxes Act* and Information Bulletin No. TAMTA 002 *Bulk Sales – Buying and Selling Business Assets*.

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 Regulations* and *The Tax Administration and Miscellaneous Taxes 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.