

## **THE RETAIL SALES TAX ACT**

### **BED & BREAKFAST OPERATIONS**

This bulletin provides information to help Bed & Breakfast (B & B) operators apply retail sales tax (RST) on their sales of lodging, meals and other services.

#### **Section 1 – APPLICATION OF TAX ON SALES**

##### **RST on B & B packages**

- RST applies on the total selling price of the meal and lodging packages provided by B & B operators, **except** where the operator has fewer than four rooms available for lodging, or where lodging is provided to a person for a continuous period of one month or more.

Where a B & B operation has four or more rooms available for lodging, the operator must collect RST on the total charge for the package. Where a B & B operation has up to three rooms available for lodging, the operator shall not collect RST on the charge for the package.

**Please note:** Where an operator usually has four or more rooms available for lodging for part of a year, and has fewer than four rooms available for lodging for the rest of the year or does not operate for part of the year, he/she must collect RST on all packages sold during the year.

- A “room available for lodging” includes any room in a personal residence, a guesthouse, cabin, mobile home, etc., in which the operator provides a bed(s) or other apparatus for guests to sleep on. For example, if the living room is used to provide sleeping accommodations for guests, it is considered a room available for lodging. However, living rooms, dining rooms, bathrooms, kitchens, and other rooms not used to provide sleeping accommodations for guests do not count as a “room available for lodging.”
- See Section 3 for information on requirements for B & B operators to be registered to collect RST.

##### **Other taxable sales**

- Where an operator sells taxable goods and services that are not included in the B & B package price, he/she must collect RST on the amount charged for the B & B package and on the additional amount charged for the other goods and services. The following are some examples of other taxable goods and services normally sold by B & B operators:

Note: Revisions to contents of previous Bulletin (April 2002) have been identified by shading ( )

- Prepared meals and beverages served on the premises
- Prepared lunches that are consumed away from the premises (e.g., sandwiches and snacks, thermos of coffee, canned drinks)
- Additional charges for extra cots
- Movies provided in a guest room
- Laundry services
- Sports equipment rental (e.g., skis, canoes, tennis racquets)

**Please note:** Where a B & B package includes a non-taxable item, such as an admission ticket to a special event or sporting facility, the operator must show the charge for the non-taxable items separately from the other taxable items on the sale invoice, for the exemption to be allowed. Otherwise the total charge for the package, including the non-taxable item, is taxable.

## Section 2 – APPLICATION OF TAX ON PURCHASES

### Goods and services purchased for resale

B & B OPERATORS MAY PURCHASE THE FOLLOWING GOODS AND SERVICES TAX-EXEMPT BY QUOTING THEIR RST NUMBER TO THEIR SUPPLIER:

- Snack foods, prepared food, sweetened goods, carbonated beverages and other food items purchased for resale (i.e., supplied to the guests as part of the package or sold separately)
- Souvenirs and post cards purchased for resale
- Disposable items such as serviettes, straws, plastic cutlery, coasters, paper cups, placemats, coffee filters (i.e., that are used only once in providing prepared food)
- Dry cleaning and laundry services purchased for resale (but not for cleaning the linen supplied to guests)
- Sports equipment purchased exclusively for rental to guests

### Taxable goods and services purchased for own use

B & B OPERATORS MUST PAY THE RST ON THEIR PURCHASE OR LEASE OF THE FOLLOWING GOODS AND SERVICES :

- Building material to construct a guesthouse, office, cabin, etc., and effective October 1, 2002, includes contract **labour** to install plumbing, heating, cooling, electrical, electronic and telecommunication systems and components [see Bulletin 031 – Mechanical and Electrical Trades for more information]. For example, RST applies to the total contract purchase price (including materials and labour) to install electrical wiring, water pipes and fixtures, furnaces and ducting, etc.
- Kitchen equipment such as stoves, refrigerators, slicers, pots
- Dining room furnishings, dishes, cutlery, etc.
- Guest room furnishings, bedding, towels, soap, tissue, stationery and other supplies provided for the guests
- Office furniture, equipment, stationery and supplies
- Supplies and equipment for cleaning and maintaining the buildings (including the guest rooms), such as detergents, deodorizers, light bulbs, vacuum cleaners, etc.
- Laundry services purchased for linens and towels, including those in the guest room

- Repair, maintenance and installation services of taxable goods such as kitchen equipment **or mechanical and electrical systems previously listed**
- Telephone and cable/satellite services purchased for own use or for the use of the guests (including long distance charges)

**Please note:** You are required to pay RST on all telephone long distance charges billed to you by the phone company, including those incurred by guests. However, you do not collect RST on any phone charges you recover from your guests.

**Please note:** Where taxable goods for own use are purchased or leased from a supplier who did not charge RST (e.g., an out-of-province supplier), you must self-assess the applicable RST and remit it to the Taxation Division when submitting your next return.

### Section 3 – REQUIREMENT TO BE REGISTERED

#### Do all B & B operations need to be registered?

- B & B operators are only required to be registered under RST, if they have four or more rooms available for lodging and are required to collect the tax as explained in Section 1.
- Operators that sell B & B packages are not required to register if they have three or fewer rooms available for lodging **and** are not selling any other taxable goods or services. However, in this case, the operator must pay RST on all goods and services purchased (i.e., including items purchased for resale listed in Section 2).
- Application forms for registration are available from the Taxation Division offices or Web site listed in this bulletin. There is no charge for applying.

#### Collecting tax

- Operators that are required to collect RST on sales must show the tax separately on the invoice.
- Where RST is collectible on a sale, the vendor is deemed to have collected it. Vendors who do not charge the applicable RST as required are nevertheless required to remit it to the Taxation Division.

#### Remitting the tax

- Registered vendors are required to remit the RST, which was collectible and/or self-assessed on purchases, to the Taxation Division on a monthly return (or other period authorized by the Taxation Division). A return will be mailed to you before the date each return is due. Seasonal vendors will receive a return only for the months they operate.
- RST collected in US currency must be converted into Canadian currency and remitted to the Taxation Division.
- Where you are required to self-assess RST on your purchases, you must remit it to the Taxation Division on the laid down cost of the item, which includes the basic purchase price, transportation, currency exchange and other related costs (but not GST).

**Proper use of the RST number**

- The RST number is assigned by the Taxation Division. A vendor also quotes his/her RST number to suppliers when purchasing goods and services that he/she is allowed to purchase exempt (e.g., purchased for resale).

**Please note:** An RST number does not permit a person to purchase goods or services without paying the RST if they are for own use, as shown in Section 2.

**Change of business status**

- An RST number is not transferable. The Taxation Division must be notified immediately when you change your address or cease to operate.

**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 Act and Regulation stated below. 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  
E-mail: [MBTax@gov.mb.ca](mailto:MBTax@gov.mb.ca)  
Web site: [www.gov.mb.ca/finance/taxation](http://www.gov.mb.ca/finance/taxation)

**Westman Regional Office**

Manitoba Finance  
Taxation Division  
311, 340 - 9th Street  
Brandon, Manitoba R7A 6C2  
Telephone (204) 726-6153  
Manitoba Toll Free 1-800-275-9290  
Fax (204) 726-6763

**Principal References In Legislation:**

*The Retail Sales Tax Act of Manitoba (C.C.S.M. c. R130)*, Section 1(1) Definitions of "retail sale" and "service", Sections 3(1)(a), 4(1)(a), 4(1)(b) and 4(1)(d).  
*Manitoba Regulation (75/88R)*, Definitions of "food and beverages" and "prepared food and beverages".