

THE RETAIL SALES TAX ACT

SNOWMOBILE AND ATV DEALERS

This bulletin provides information to help snowmobile and ATV dealers apply the Retail Sales Tax (RST) on their sales of snowmobiles and ATVs, parts and repair services. This bulletin also explains the requirement for dealers to pay tax on goods and services purchased for own use and on dealer-use of snowmobiles and ATVs.

Section 1 – TAXABLE SALES

Snowmobile and ATV sales

- Dealers are required to collect the RST on the total “net selling price” of new and used snowmobiles and ATV’s at the time of sale (including dirt bikes and other similar “off-road” recreational vehicles).

What is the “net selling price”?

- The “net selling price” of a snowmobile or ATV is the total amount charged after deducting the “trade-in” and “discount” (as explained below), and includes the price of the vehicle, freight, pre-delivery charges, accessories, extended warranty, documentation fees and other charges relating to the purchase of the vehicle. For lease contracts the net selling price also includes finance costs.

Dealer discounts vs. manufacturer’s cash rebates

- A dealer discount reduces the selling price of goods or services, i.e., the amount a dealer receives as payment. Therefore, RST applies to the net selling price of snowmobiles, ATVs, etc. **after deducting the dealer discount.**

- A manufacturer’s cash rebate **does not** reduce the selling price (i.e., the amount a dealer receives as payment for a vehicle). If the purchaser assigns the rebate to the dealer, the dealer must collect RST on the selling price of the vehicle **before the manufacturer’s cash rebate is applied.**

For example: A dealer’s selling price of a snowmobile is \$6,000 and the manufacturer’s cash rebate to the customer is \$300. Where the manufacturer mails the rebate directly to the customer, the customer will pay the dealer \$6,000 + 7 per cent RST. Where the customer assigns the factory rebate to the dealer, the dealer will receive \$300 from the manufacturer (assigned rebate) and the difference of \$5,700 (before taxes, etc.) from the customer. In total the dealer still receives \$6,000 as payment for the snowmobile and must collect 7 per cent x \$6,000 = \$420 RST from the purchaser.

Note: Revisions to content of previous Bulletin (April 2004) have been identified by shading ().

- For additional information, see Bulletin No. 028 – Discounts, Coupons and Cash Rebates.

Trade-ins

- Where a purchaser of a snowmobile or ATV trades in a vehicle(s) of “the same general kind” (see definition below), that he/she owns, the dealer shall collect RST on the net difference payable. Where the trade-in is not of “the same general kind”, the dealer shall collect RST on the selling price of the snowmobile or ATV before deducting the amount allowed for the trade-in.

Please note: Dealers must insure that the vehicle traded-in is owned by the purchaser at the time of trade-in, e.g., request to see the Vehicle Registration Card.

- Where a person purchases a snowmobile, ATV or a dirt bike without a trade, the dealer should inform the purchaser that he/she may be eligible for an RST refund from the Taxation Division if he/she sold a snowmobile, ATV or a dirt bike six months before or six months after the date of purchasing the new snowmobile, ATV or dirt bike.

Definition of “the same general kind”

- Vehicles required to be registered under *The Off-Road Vehicles Act* (e.g., snowmobiles, ATV’s, dirt bikes, dune buggies) are considered the same general kind, and vehicles required to be registered under *The Highway Traffic Act* (e.g., cars, trucks, buses, motorcycles) are considered the same general kind. For example, a trade-in of “the same general kind” is a snowmobile traded-in on an ATV, a car traded-in on a truck, a boat traded-in on a boat. RST applies on the net difference payable when any vehicle that is required to be registered under *The Off-Road Vehicles Act* is traded-in for another vehicle in that group and when any vehicle required to be registered under *The Highway Traffic Act* is traded-in for another vehicle in that group. However when a vehicle in one group is traded for a vehicle in another group, RST applies to the selling price of the vehicle sold before deducting the trade-in allowance.

Extended warranties

- Service, maintenance or warranty contracts are subject to RST. For example, if the charge for the extended warranty is in addition to the selling price (or lease price) of a snowmobile or ATV, dealers must collect the RST on the total of the selling price of the vehicle and the charge for the extended warranty contract. Where a manufacturer’s warranty is provided at no charge, its value is already included in the selling price of the vehicle.
- Dealers do not collect RST on a repair service provided to a customer at no charge under a service, maintenance or warranty contract, or manufacturer’s warranty. The provider of the service may purchase the installed parts and labour RST exempt. **However**, any charges payable by a customer for repairs provided under a service, maintenance or warranty contract, or a manufacturer’s warranty, are subject to RST, e.g., a deductible fee.
- Maintenance/warranty contract transfer fees are subject to RST.

Snowmobile rentals and leases

- All charges in connection with daily/weekly rentals of a snowmobile or ATV, including damage waiver insurance, etc., are subject to RST.
- All charges in connection with a term lease are subject to RST when billed, e.g., the down payment, the monthly lease, any termination or penalty charges, and the option to purchase (if exercised). However, RST does not apply on the cost of vehicle insurance (e.g. Autopac) paid for separately by the lessee.
- A security deposit taken at the time of rental/lease and returned to the customer is not taxable. However RST must be applied when the security deposit is withheld or applied against the rental/lease payment or for damages.

Repair and maintenance

- RST applies to the total charge for a repair or maintenance service, including parts, labour and any other charge in connection with the service, such as charges for shop supplies, washing, painting, towing.
- RST does not apply on repair or maintenance services to snowmobiles and ATVs where the purchaser qualifies for exemption in circumstances and conditions described in Section 2, and above, under “extended warranties”.

Sales to farmers, fishermen and trappers

- Snowmobiles and ATVs generally do not qualify as equipment used for farming, fishing or trapping. Where a purchaser claims he/she will be using the equipment exclusively for farm-use, the dealer should refer him/her to the Taxation Division, but **must collect** RST on the sale of the snowmobile, ATV, parts and service.

Sales Invoices

- Effective July 1, 2005, dealers are no longer required to prepare an RT14 tax form. Instead, dealers must quote their RST number on their sales invoices. The RST number must appear on the dealer's sales invoice if:
 - RST is collected by the dealer; or
 - RST is collectible on the payments under a lease contract (even if there is no RST collectible at the time of completing the contract); or
 - the sale is subject to tax, but RST is not collected because the value of the trade-in is equal to, or greater than the value of the purchased vehicle.

Please note: For an RST exempt sale (see Section 2). The reason for the exemption must be clearly stated on the sales invoice.

Section 2 – EXEMPT SALES

- Purchased for resale**
- Dealers and rental companies do not pay RST on snowmobiles, ATVs, parts or services purchased for resale purposes. To obtain the exemption they must provide the supplier with their RST number.
- Sales to non-residents**
- RST does not apply on snowmobiles and ATVs purchased for out-of-province use by non-residents of Manitoba, when:
 - The dealer delivers the vehicle, parts or services outside the province, or has it shipped by common carrier for delivery outside the province. Dealers must retain a receipt signed by the customer acknowledging delivery outside the province, or a common carrier's bill of lading showing delivery outside the province, or an equivalent document to substantiate delivery of the vehicle, parts or service outside Manitoba.
 - Dealers must collect the RST on sales to non-residents where the above conditions are not fulfilled. However, dealers should advise non-resident purchasers that they may be eligible for a refund of RST paid if the snowmobile/ATV is removed within 30 days of the purchase for permanent use outside Manitoba, and to contact the Taxation Division for refund information.
- Sales to Status Indians and Indian Bands**
- Status Indians and Indian Bands may purchase/lease snowmobiles/ATVs RST-exempt provided:
 - The title to the vehicle is transferred on the reserve; and
 - The purchase documents are signed on a reserve; and
 - The purchaser takes possession of the vehicle on a reserve (the dealer delivers the vehicle or ships it by common carrier F.O.B. to the reserve).
 - To qualify for exemption on a lease, the Status Indian must reside on a reserve, in addition to the above conditions.
Please note: Corporations held by Status Indians or Indian Bands do not qualify for the RST exemption available to Indians and Indian Bands. Dealers must collect the RST on all sales to these corporations.
 - Dealers must document the tax exempt sale of a snowmobile or ATV with the following information on the sale invoice or a statement attached to the invoice:
 - The purchaser's Certificate of Indian Status card number (or Band number if the sale is to an Indian Band);
 - Name of the reserve on which the legal title to the vehicle was transferred and to which the vehicle was delivered;
 - The purchaser's address on reserve for RST-exempt lease contracts;
 - A statement signed by the purchaser, and by an official of the dealership, confirming the title to the snowmobile/ATV was transferred on the reserve, the dealer delivered it the reserve, and

the customer took possession on the reserve. When a common carrier ships the vehicle on behalf of the dealer to the reserve, the dealer must retain the shipping documents.

Government purchases

- RST is not payable on sales/leases made directly to departments of the federal government. To allow the exemption the dealer must obtain the federal government's RST number from the purchase order and record it on the purchase invoice.

Please note: Purchases by federal and provincial crown corporations are subject to RST (i.e., they are not eligible to use their RST number to purchase vehicles RST exempt).

- Purchases by employees of the federal government for personal use are subject to RST.
- Purchases by the Province of Manitoba, municipalities, municipal governments and local government districts are subject to RST.

Foreign diplomats

- Foreign diplomats that are eligible for a RST exemption are issued an RST number (in the form of picture ID cards) by the Taxation Division. Upon presentation of the RST number, the dealer shall record the RST number on the sale invoice to allow the exemption to the foreign diplomat.
- Where the diplomat is unable to present his/her RST number, the dealer shall collect the tax on the sale and advise the diplomat to contact the Taxation Division to obtain an RST refund.

Dealer's responsibility to document exemption

- Dealer's records are subject to audit by the Taxation Division. Dealers that allow an RST exemption but fail to fully comply with the requirements may be liable for payment of the uncollected RST, accrued interest and penalties.

Section 3 – PURCHASES FOR OWN USE**Taxable purchases**

- Dealers are required to pay RST on all purchases of equipment, supplies and taxable services acquired for own use. Some examples are shop equipment, office equipment, service vehicles, signs, mechanics' tools, brochures, forms and other stationery, building materials, computer software, promotional items, uniforms, building cleaning supplies, hand wipes and equipment repair services.
- When a dealer purchases taxable items from a vendor that did not collect RST (e.g., out-of-province vendor), the dealer is required to remit the applicable tax to the Taxation Division on the next RST return.

Brochures and other promotional materials

- Dealers must pay RST on promotional materials (give-away items) purchased for distribution to potential customers at no charge, or at a nominal charge, e.g., sales brochures, calendars, videos, decals, key holders, hats, etc.

- Dealers do not pay RST on their cost of promotional items given away on condition that the customer purchases a taxable item. For example, a dealer may purchase leather mitts RST-exempt that are given away “free” with each purchase of a snowmobile/ATV.
- For additional information pertaining to purchases of give away items, see Bulletin No. 37 – Promotional Distributor.

**Definition of
“dealer-use”
vehicles**

- Dealer-use vehicles includes:
 - New or used snowmobiles and ATVs that are purchased or modified **for use in the operation of the dealership** (i.e., are not readily available for sale); or
 - New or used snowmobiles and ATVs that are purchased for resale and are **temporarily assigned** to, or used by company officials, family members, sales personnel, other employees or customers for personal or business use.
- Vehicles that are used **solely** by potential customers **for sales demonstration purposes** are not considered to be dealer-use vehicles (i.e., not used by the dealer as described above).

**Tax on
“dealer-use
snowmobiles,
ATVs, etc.**

- Dealers who **purchase or modify** a snowmobile/ATV for “dealer-use” must pay the 7 per cent RST on the purchase price.
- Dealers who purchase a snowmobile/ATV for resale and **temporarily** use it for “dealer-use”, must pay 7 percent RST x 1/36th x the purchase price for each month the vehicle is used for this purpose.
- Dealers are required to pay RST on any parts and supplies used to maintain snowmobiles/ATVs while they are used as “dealer-use” vehicles.

**Exempt
purchases**

- Dealers may purchase items RST exempt that are incorporated into goods or services for resale, e.g. accessories, parts, lubricants, adhesives, welding rods, gasket materials, bolts, electrical wire and connectors.
- Dealers may purchase shop supplies RST exempt that are consumed when in direct contact and transforming goods to which a taxable service is provided, e.g., drill bits, abrasive materials, chemicals used to clean vehicle parts.

Requirement to be registered

- Dealers who sell or intend to sell taxable goods or services in Manitoba must be registered with the Taxation Division, **including** out-of-province dealers who sell goods in Manitoba but otherwise do not carry on business in Manitoba, if they
 - Solicit directly or through an agent, orders for goods from persons in Manitoba by advertising or any other means,
 - Accept orders originating in Manitoba to purchase goods,
 - Sell goods for consumption or use in Manitoba, and
 - Cause the goods to be delivered in Manitoba.
- Application forms for registration are available from the Taxation Division offices or Web Site listed in this bulletin. For additional information see Bulletin No. 004 – Information for Vendors.

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
Web site: www.gov.mb.ca/finance/taxation

Westman Regional Office

Manitoba Finance
Taxation Division
349, 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) and Manitoba Regulation (75/88R).*