

THE RETAIL SALES TAX ACT

GRANARIES AND FARM STORAGE BUILDINGS

This bulletin will help farmers understand the Retail Sales Tax (RST) exemption provision for granaries, and the tax refunding provision respecting certain farm storage buildings (or qualifying materials to construct them).

Section 1 - EXEMPTION ON GRANARIES

Granaries that are **designed and used exclusively** for the storage of grain may be purchased by farmers exempt of tax.

What does the exemption include?

- Granaries used by farmers to store whole or crushed grain for feeding livestock.
- Hopper bottom adaptors and extension rings for exempt granaries.
- Used railway grain cars, without chassis, that are purchased by farmers exclusively for the storage of grain.
- Granaries that are occasionally used by the farmer for the temporary storage of fertilizer, qualify for the exemption if they are principally used to store grain. But granaries that have been coated inside with a special material to protect it from chemical corrosion are not exempt.
- Granary packages consisting of materials that are pre-cut, pre-drilled and otherwise ready for assembly are exempt, but building materials otherwise purchased to construct granaries do not qualify for the exemption.

Farm-use certificate required

- To allow this exemption the seller must obtain a signed statement from the purchaser at the time of sale in the following format:

"I hereby certify that the goods shown on this invoice will be used exclusively to store grain for farming."

.....
Date

.....
Purchaser's signature and land description

The statement may be printed, typed, written or stamped on the copy of the invoice or other document supporting the sale.

Note: Revisions to contents of previous Bulletin (May 2000) have been identified by shading ().

What items are taxable?

- The RST exemption for granaries does not include the following items:
 - Concrete and rebar purchased for the foundation.
 - Lumber and other building materials (unless purchased as a pre-cut granary package).
 - Feed silos, fertilizer storage tanks and other similar storage tanks.
 - Other farm buildings (see Farm Storage Buildings below for exception).

Section 2 – EXEMPTION ON FARM STORAGE BUILDINGS OR STRUCTURES**General information**

- Farm buildings or structures purchased by farmers, that are constructed from **steel or pre-cast concrete** and are designed, equipped and used specifically for storing potatoes, grain or other farm crops grown commercially for sale, are tax exempt.
- **Please note:** The exemption does not apply at the time of purchasing a farm storage building or materials. Farmers receive the exemption by applying to the Taxation Division for a refund of the tax paid by them (or paid by the contractor) on farm buildings.

What does the exemption include?

- The purchase of prefabricated building packages or buildings purchased on a supplied and installed contract basis, but not concrete, rebar and other materials used to construct the foundation and floor.
- For the purpose of this exemption a “**steel**” building includes:
 - A “**metal clad**” building. Therefore, if a metal clad building is purchased as a prefabricated building package or purchased on a supplied and installed contract basis, materials such as wood trusses, wood framing, electrical supplies, and insulation included in the package or contract price, qualify for the tax refund.
 - “**Engineered steel support structures**” using a vinyl covering. But similar structures when used for greenhouses are not exempt because the principal purpose of the building is for growing of plants and not storage.
- Materials such as steel beams, metal framing, doors, pre-cast concrete sections and metal sheeting purchased directly by the farmer to construct an exempt farm storage building, but not lumber, concrete, cement, paint, insulation, electrical supplies or other general purpose materials.

Please note: Contractors must in all cases collect RST on the total contract price for installing general-use electrical, heating and plumbing systems (known as M&E systems) into farm storage buildings. However, if installation of the M&E system is part of the general contract to **supply and install** an exempt farm storage building, the purchaser may apply for a refund of the RST paid by him/her (or the contractor) in respect of the building materials and the M&E systems.

What if farm machinery is installed as part of the contract for farm storage buildings?

- A RST exemption is provided on farm machinery used principally for farming.
- RST does not apply on the charges for labour and materials to install farm machinery, nor on contracts (including labour) to install electricity, heating and plumbing required for the farm machinery. If a contractor provides installation services where part of the service is for farm machinery and part is for taxable use, the contractor must allocate the charges appropriately and may allow an exemption only on the farm machinery portion by obtaining the farm-use certificate as described on page one.
- See Bulletin No. 018– Farm-use Equipment and Other Items for additional information.

Eligibility for a refund

- To qualify for a refund under the exemption provision, the storage building or structure:
 - Must be constructed from steel or pre-cast concrete; and
 - At least 80 per cent of its floor area must be used exclusively to store potatoes, grain or other farm crops grown commercially for sale. As much as 20 per cent of the floor area could be used for other than crop storage uses, such as a loading area, offices, etc.
- Where the building floor area, committed exclusively to the storage of farm crops grown commercially for sale, is 80 per cent or more, but less than 100 per cent, the refund will be allowed in the same proportion. **For example:** If 90 per cent of the area is committed for crop storage, the refundable amount will be 90 per cent of the tax paid.
- Where the floor area committed exclusively to the storage of farm crops grown commercially for sale is less than 80 per cent, no refund is allowed.

Application for a refund

- The RST refund may be claimed by completing an Application for Refund form and returning it to one of the Taxation Division offices listed at the end of this bulletin. The refund form can be obtained from the Taxation Division or Web site listed at the end of this bulletin. In some cases agricultural representatives or businesses that sell such storage buildings may stock the form for your convenience.

Please Note: Refund claims must be filed with the Taxation Division within two years of the date shown on the purchase invoice for the qualifying farm storage building.

Documents attached to application

- Where the farmer has paid the tax to the supplier on a qualifying building package or materials, invoices and other applicable documents describing the item(s) and showing the amount of RST paid by the farmer must be included with the application.
- Where a contractor "**supplied and installed**" the building for the farmer in a single contract price (in this case the contractor must pay the tax on his/her purchases of materials and/or M&E contracts installed), the farmer will have to obtain detailed documentation from the contractor of the tax paid on the materials and/or M&E contracts eligible for a refund, and attach it to the application. Contractors may arrange to provide the

required documentation directly to the Taxation Division (if they prefer) showing the tax they paid in respect of the contract.

What items are taxable?

- The RST exemption for farm storage buildings does not include:
 - Concrete, cement and rebar purchased for the foundation.
 - Lumber, paint and other general purpose building materials (unless included in the pre-fabricated farm storage building package).
 - Feed silos, fertilizer storage tanks and other similar storage tanks (except manure slurry tanks).
 - Materials purchased to construct barns and other farm buildings (except granaries and farm storage buildings as described above).

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, Desk Audit
300 - 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
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), Sections 3(27); Manitoba Regulation (75/88R), Sections 22, 26.*