

THE RETAIL SALES TAX ACT

AIRCRAFT USED FOR RENTAL AND OTHER PURPOSES

This bulletin outlines the application of retail sales tax (RST) on rental aircraft that may also be used for other purposes such as pilot training.

RST application on rental or lease aircraft

- A “rental or lease” of an aircraft is a transaction where the owner of an aircraft (lessor) provides it for use by another person (lessee) for a charge; that is, **the lessor does not supply a pilot to operate the aircraft.**
- RST applies on the total rental/lease charge for an aircraft used in Manitoba. It does **not** apply when the aircraft is used to transport passengers or cargo for gain or used in and outside Manitoba for other *purposes of trade*. See Bulletin No. 027 – Aircraft Purchased for Commercial Use for more information.
- The lessor (vendor) is required to collect the RST on the rental/lease charge. Where the lessor is not a vendor in Manitoba or otherwise fails to collect RST from the lessee, the lessee must self-assess the RST on the rental/lease charges and remit it to the Taxation Division.
- Where an aircraft is used exclusively for rental/lease purposes, the lessor may purchase the aircraft, repair parts and services tax exempt by providing his/her RST number to the seller.
- RST does not apply on the charge to rent/lease an aircraft that is equipped and used **solely** as an ambulance or a geophysical survey aircraft.

RST on aircraft purchased for own use

- When an aircraft is acquired for *own use* and not for rental/lease, the purchaser/lessee must pay RST on the total purchase price or rental/lease charges for the aircraft, as well as on purchases of parts and services (unless the above RST exemption applies). The following are some examples to illustrate when a purchaser is operating the aircraft for own use:
 - private or personal use
 - providing a service, such as spraying for insects, fighting forest fires, inspecting land and property
 - taking aerial photographs, mapping
 - transporting the purchaser’s employees or executive
 - pilot training
 - supplying an aircraft with a pilot for any other purpose
- RST generally does not apply on the charge for services provided with

an aircraft (such as spraying). Where goods such as aerial photographs are produced, the total charge for the photographs is subject to RST.

Multi-purpose aircraft

- Where the purchaser of an aircraft acquires it partially for rental/lease purposes and partially for own use, he/she may purchase the aircraft, parts and services without RST, but must

1) Immediately self-assess and remit the RST on a proportion of the aircraft, parts and services that are for own use, calculated as follows:

$$\begin{array}{rcccl} \text{Cost of aircraft,} & & \text{Hours operated for purposes} & & \\ \text{parts and} & \text{X} & \text{other than rental or lease} & \text{X} & 7\%. \\ \text{services} & & \text{Total hours operated} & & \end{array}$$

2) Collect and remit the RST on all rental/lease charges for the aircraft.

Please note: The proration used for this calculation should fairly reflect the intended usage of the aircraft in Manitoba during its useful life. At the time of self-assessing the RST, the proration may be based on previous experience, subject to adjustment when the actual operating data for the year has been ascertained and again at two years if a significant change in operation of the aircraft occurs.

Aircraft used for pilot training

- RST applies to aircraft owned by flying schools/clubs as follows:
 - 1) Aircraft used to provide pilot training (accompanied by an instructor) and the solo flight required to obtain a private pilot's licence are regarded to be for the flying school's **own use**. The flying school pays RST on its purchases of aircraft, parts and services but does not collect tax on the amount charged for pilot training.
 - 2) Where the provision of an aircraft to a person by a flying school is not part of a formal course of instructions for pilot training, such as used by a person with a private pilot's licence to accumulate flying hours, the fee for the use of the aircraft is regarded **to be a rental charge** subject to RST as described above.
 - 3) Where an aircraft is used for 1) and 2), the RST is payable as explained above under multi-purpose aircraft.

Change of aircraft use

- Where an aircraft was acquired exclusively for rental purposes (purchased RST exempt) and subsequently the owner uses it for **own use**, he/she must self-assess and remit RST on the use of the aircraft as follows:
 - on the equivalent fair rental normally charged to customers for the aircraft, or
 - on the current fair value of the aircraft (at the time of change of use) x the proportion for own use (see above formula)
- RST is payable on the total purchase price of an aircraft purchased exclusively for own use. Where the owner subsequently rents/leases the aircraft (without a pilot), he/she must collect RST on the charges and remit it to the Taxation Division. In this case, the owner cannot

claim an adjustment of the RST previously paid.

- Sundry purchases**
- Purchases of tools, equipment, furniture, shop and office supplies and other items consumed by the purchaser or given away to flying club members, pilot trainees, etc., are subject to RST on the total purchase price. The above formula cannot be used to pay tax on these items.
- Sundry sales**
- Rental companies, flying clubs and other businesses (vendors) that sell equipment, supplies, charts, radios, repair and maintenance services, etc., are required to collect RST on their sales. Where the purchaser is acquiring the item for an exempt purpose, the vendor must obtain the purchaser's RST number to substantiate the exemption.
- Requirement to be registered**
- Rental companies, flying schools, flying clubs and other businesses are required to be registered for RST purposes if one or more of the following situations apply:
 - if you sell taxable goods or services, including rental of aircraft
 - if you purchase aircraft or other goods for resale or multi-purpose use (as previously explained)
 - if you purchase aircraft, parts or services for your own use from suppliers who have not collected the RST (such as out-of-province suppliers). In this case, you are required to self-assess the tax.
 - Application forms to register can be obtained from the Taxation Division offices or website listed at the end of this bulletin. You will receive monthly returns to remit the RST collected or self assessed as required.

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 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).*