

THE RETAIL SALES TAX ACT

SALES TO INTERJURISDICTIONAL MOTOR CARRIERS

Effective March 1, 2001 the method of applying the Retail Sales Tax (RST) on vehicles used interjurisdictionally changes. This bulletin is intended for vendors who sell goods and services to interjurisdictional motor carriers and outlines the situations when they must collect tax on sales to carriers.

Section 1- GENERAL INFORMATION

What is the change in the method of tax application?

- As of March 1, 2001 commercial trucking and bus companies operating in Manitoba, and also in one or more other jurisdictions, may register under the International Registration Plan (IRP). Once registered they will no longer pay the RST on their interjurisdictional vehicles (trucks, trailers and buses) at the time of purchase or lease, nor on repair parts and services purchased for these vehicles. Instead these companies will pay a prorate vehicle tax (PVT) annually on their trucks and buses through the licencing authority.
- The PVT is the method being adopted by most taxing jurisdictions in Canada and the USA to avoid double taxation on interjurisdictional vehicles, whereby carriers pay a proportional tax to each jurisdiction they travel in.

How will vendors know that a carrier is registered under IRP?

- The Manitoba Prorate Office of the Department of Highways and Government Services registers vehicles used for interjurisdictional purposes under IRP. Each carrier registered under IRP will be assigned a "prorate account number" and issued a "cab card" for each vehicle showing the description of the truck or bus, the carrier's prorate account number, and each jurisdiction the carrier is authorized to travel in. The cab card must be carried in the vehicle at all times.

What is a prorate account number?

- The "prorate account number" is a term used in Manitoba referring to the carrier's base jurisdiction abbreviation (2 letters), account number (5 digits) and fleet number (3 digits) that appears on the cab card. An example of a prorate account number is: MB 12345 – 001. Other jurisdictions have a similar numbering system, but may use a different term for the account number.

Section 2 –VEHICLE AND TRAILER SALES AND LEASES**How do vendors allow the RST exemption on vehicles ?**

- Carriers may purchase or lease trucks, trailers and buses (including optional or extended warranties and maintenance contracts) for interjurisdictional use without paying RST at the time of purchase or on lease payments by quoting their prorate account number to the vendor. The vendor must record this number and the purchaser's name on the purchase invoice or lease contract and retain a copy to substantiate the RST exemption.
- A broker-driver operating a vehicle interjurisdictionally under contract to a carrier, may quote the carrier's prorate account number to purchase or lease that vehicle tax exempt.

Please Note: Vehicles that are purchased/leased and registered for use solely within Manitoba continue to be subject to the 7 per cent RST. In this case vendors shall collect the RST on the full selling price at the time of sale or on the lease payments.

Vehicles leased before March 1, 2001

- Lease payments for interjurisdictional vehicles due on or after March 1, 2001 qualify for the RST exemption as discussed above. If the lease agreement was signed before March 1st, the vendor must obtain the carrier's prorate number and record it on the lease agreement before allowing the RST exemption on the remaining monthly payments.

Unregistered carriers must pay RST

- Carriers who are not yet registered under IRP (i.e. who do not have a prorate number) and broker-drivers who are not currently under contract with a registered carrier, must pay RST on their purchases of trucks, trailers and buses.
- Where the carrier will within 30 days of the purchase date be registering the vehicle for interjurisdictional use, the carrier may apply to the Taxation Division for a letter authorizing the dealer to sell the motor vehicle (but not trailers) without collecting the RST.

Responsibility to ensure proper application of RST

- Both the vendor and the purchaser share the responsibility to ensure that an item sold without RST is eligible for the exemption, i.e.-
 - It is the vendor's responsibility to ensure that the individual or firm is a prorate account registrant and is purchasing the vehicle or repair parts/services for interjurisdictional use. In this respect the vendor may request the purchaser to present proof of registration under IRP (e.g. a cab card).
 - It is the purchaser's responsibility to quote his/her prorate account number to the vendor only when purchasing items tax exempt for eligible purposes.

Section 3 - PARTS, MAINTENANCE AND REPAIR SALES

How do vendors allow the RST exemption on parts and service?

- Carriers may purchase repair parts, maintenance and repair services for interjurisdictional vehicles and trailers without paying RST.
 - To obtain the exemption on repair parts, carriers must quote their prorated account number to the vendor at the time of purchase. The vendor must record this number and the purchaser's name on the invoice and retain a copy to substantiate the RST exemption.
 - In the case of exempt repair or maintenance services to a vehicle, the vendor should also attach a photocopy of the vehicle's cab card to the work order.

Please Note: Only repair parts that are specifically designed as a replacement part of a truck, trailer or bus are exempt. General-purpose parts listed under "shop supplies" later in this bulletin are taxable.

Please Note: Repair parts, labour and maintenance services for vehicles and trailers used solely in Manitoba are subject to RST on the total purchase price.

Sales to out of province carriers

- Where an out of province carrier requires emergency repair work in Manitoba on his/her interjurisdictional vehicle, the vendor may allow the RST exemption on the charges to the carrier. The vendor must retain a photocopy of the vehicle's cab card and ensure that MB is listed on the cab card as an authorized jurisdiction. Otherwise the vendor must collect the Manitoba RST on the total amount charged.

Purchases by broker drivers

- A broker-driver who operates a vehicle interjurisdictionally under contract to a carrier, may quote the carrier's prorated account number to make qualifying purchases of repair parts and services tax exempt. The broker driver must pay RST on parts and services at the time of purchase if he/she is currently not under contract with a carrier registered under IRP.

Taxable accessories

- Accessories for interjurisdictional vehicles (including installation labour) purchased separately from the vehicle, are subject to 7 per cent RST. The following are examples of some optional accessories that are taxable unless they are included in the purchase price of the vehicle:

<ul style="list-style-type: none"> - Bug deflectors and screens - CB radios - Enhanced sound systems - Facsimile machines - Fleet net radios including the antenna 	<ul style="list-style-type: none"> - First aid kits - Fridges - Microwaves - Portable computers - Portable generators - Portable positioning systems 	<ul style="list-style-type: none"> - Rotating lights - Seat covers - Telephones - Televisions - VCRs - Winter fronts
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Consumable supplies

- When consumable supplies, such as antifreeze, grease, motor oil, windshield wiper fluid, etc., are purchased in Manitoba, the RST is payable on the full selling price, unless they are included as part of a tax exempt repair work order issued by a vendor.

- Shop supplies**
- Only parts that are specifically designed as a replacement part for interjurisdictional vehicles qualify for an exemption. General purpose repair materials purchased by carriers are subject to RST. The following are examples of materials and shop supplies that are taxable:
 - cables, electric wire and terminals, fittings, heater hose, hose clamps, nuts and bolts, rope, rubber tubing, sheet metal, wood, etc.
 - RST does not apply on general purpose materials that are included as part of a tax exempt repair work order issued by a vendor.
- Other taxable goods and services**
- The following are some examples of non-vehicle related goods and services, purchased by carriers for use in Manitoba, that are always subject to RST:
 - shop tools and equipment, warehouse equipment, office furniture and equipment, computer hardware and software, uniforms, repair and maintenance contracts for goods.

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 Manitoba Finance - Taxation Division:

Winnipeg Office

Manitoba Finance
Taxation Division
101 - 401 York Avenue
Winnipeg, MB 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, MB R7A 6C2
Telephone (204) 726-6153
Manitoba Toll Free 1-800-275-9290
Fax (204) 726-6763

Principal *The Retail Sales Tax Act of Manitoba (C.C.S.M. c. R130), Sections 2.3(1) to*
References in *2.3(15), 3(33) and 3(34);*
Legislation: *Manitoba Regulation (75/88R)*