

THE RETAIL SALES TAX ACT

SECURITY AND PRIVATE INVESTIGATION SERVICES

This bulletin explains the 2004 budget changes affecting security and private investigation services. **Effective July 1, 2004** retail sales tax (RST) applies to security and private investigation services that relate to Manitoba at the rate of 7%.

Section 1: APPLICATION OF TAX ON SERVICES

Taxable Security and Private Investigation Services

- Taxable security and private investigation services include:
 - armoured vehicle service
 - security guard and patrol services for the purposes of protecting persons or property (e.g. body guard, building monitoring and guard dog services)
 - private investigations, including surveillance, location services and asset tracing
 - civil and criminal investigations
 - fees for locating individuals
- All charges for these services, including overhead costs are considered part of the security and private investigation service and are subject to RST even if separately itemized on the client's invoice.
- Retainers/deposits are not subject to RST until a bill for security and private investigation services is provided to the client.
- Security and private investigation services are subject to RST if the services relate to Manitoba. (Please refer to Page 2 Services Relating to Manitoba).

Exempt Services

- Exempt services include:
 - services provided by a police force (e.g. RCMP, Government, City, Municipal)
 - residential house sitting services
 - services provided to a Status Indian or Indian Band, if the services relate to property, a business or activity on a reserve (services provided for corporations owned by a Status Indian or Indian Band are taxable)
 - services provided to the federal government, if an RST number is provided (services provided for federal Crown corporations and

provincial government departments, agencies and Crown corporations are taxable)

- services provided by a person for their employer in the course of employment
- services between related parties (e.g. services between a parent and wholly-owned subsidiary corporation)

Note: Where exempt and taxable services are provided, the exempt services must be separately itemized on the invoice, otherwise the entire charge is taxable.

- Disbursements**
- Disbursements, billed on a cost recovery basis, are exempt when itemized separately from the taxable security and private investigation services on the client's invoice, including:
 - charges for facsimile transmission, telephone and courier services
 - charges for printing or photocopying of documents
 - third party fees or charges that are not part of the security or private investigation service (e.g. travel, accommodation, meals, vehicle)
 - The security or private investigation business will pay the RST on the disbursement item, where applicable.

- Services Relating to Manitoba**
- Security and private investigation services that relate to Manitoba are subject to RST, including services provided by a non-resident security or private investigation business or service provided in Manitoba for a non-resident client.
 - Security and private investigation services are related to Manitoba if the service relates to a physical location, transaction or activity in Manitoba.

Section 2: APPLICATION OF TAX ON PURCHASES

- Purchases for Your Own Use**
- Security and private investigation businesses are required to pay RST on purchases of equipment, services, and supplies used in their business. If purchased from an unregistered supplier (e.g. located outside Manitoba), RST must be self-assessed and remitted with the next tax return on the laid-down cost of the taxable goods or services (includes exchange, transportation, customs and duties, but not GST).

Section 3: REGISTRATION REQUIREMENTS

- Registration**
- Businesses providing security and private investigation services are required to register for RST purposes. Applications for registration are available at <http://www.gov.mb.ca/finance/taxation/forms.html> or by phoning the offices listed at the end of this bulletin.

General Information for Vendors

- See Bulletin 004 – *Information for Vendors* – explaining a vendor's obligations to collect and remit the retail sales tax.
- See Bulletin 016 – *Record Keeping and Retention Requirements*.
- Bulletins are available at <http://www.gov.mb.ca/finance/taxation/bulletins.html>.

Transitional Tax Application

- Services provided before July 1, 2004 are exempt, even if billed on or after this date. Services provided after June 30, 2004 are subject to RST, even if paid before this date.
- When services are provided under a contract in effect on July 1, 2004, the customer's invoice should be segregated into two parts. The services provided before July 1, 2004 are exempt, while the services provided after June 30, 2004 are subject to RST.

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), subsection 4(1)(i).
Manitoba Regulation (75/88R).