

Manitoba Drops RST rate to 7 Per Cent

April 15, 2019

The Ontario Court of Appeal in *Rivers v. Waterloo Regional Police Services Board* has upheld the Superior Court of Justice's determination that it was without jurisdiction to hear a proposed class action on behalf of current and former female officers with the Waterloo Regional Police Service against the Waterloo Regional Police Services Board and the Waterloo Regional Police Association. The claim alleged systemic gender-based discrimination, Charter breaches, and sexual harassment by male members of the Service, over a 30-year period.

On March 7, 2019, the Progressive Conservative government of Manitoba announced that Manitoba's Retail Sales Tax (RST) rate will be reduced by one percentage point from eight per cent to seven per cent.

The new seven per cent RST rate is effective July 1, 2019, and was implemented by cutting short the temporary, 10-year RST increase introduced by Manitoba's NDP government in 2013 for the purpose of funding infrastructure improvements.

Taxpayers should be mindful of the Manitoba Ministry of Finance's administrative rules on transitioning to the lower seven per cent tax rate. We note that these are administrative rules only – the actual amending legislation contains no transitional RST provisions.

Goods

Generally, the new seven per cent RST rate applies to all goods purchased after June 30, 2019. This includes goods for which the purchaser has only made a deposit.

The current eight per cent RST rate continues to apply for all goods purchased before July 1, 2019. This includes:

- goods purchased on credit or by deferred payment arrangements where payment is made after June 30, 2019; and
- goods that are fully paid for prior to July 1, 2019 but which are delivered after that date.

Services

Generally, the current eight per cent RST rate will apply to the following services:

- Services completed prior to July 1, 2019, regardless of the billing and payment date;
- Contracts for services entered into prior to March 7, 2019 (the date of the budget announcement), but only for that portion of services provided up to June 30, 2019;
- Prepaid service arrangements where payment has been made prior to March 7, 2019, regardless of when the service is performed.
- Prepaid service arrangements (presumably where payment has not been made prior to March 7, 2019, where services commence before July 1, 2019.

The new seven per cent RST rate will apply to the following services:

- Contracts for services entered into after March 7, 2019 (the date of the budget announcement) for services that commence after June 30, 2019;
- Prepaid service arrangements (presumably where payment has not been made) for services commencing on or after July 1, 2019.

Special Rules

Despite these general rules, the ministry has also provided specific transitional rules for the following goods and services:

- Contracts for specified services to tangible personal property
- Holdbacks
- Property installations
- Change orders
- Telecommunications services
- Electricity and Natural Gas
- Leased Goods
- Insurance
- Real Property Contracts

Vendors providing these goods and services may wish to revisit their RST compliance obligations in light of these transitional rules.

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