

GST/HST Info Sheet

Bars

October 2006

This info sheet explains how the goods and services tax/harmonized sales tax (GST/HST) applies to food products labelled or packaged as bars.

In this info sheet, “taxable” means subject to the GST/HST at the rate of 6% or 14%. “Zero-rated” means subject to the GST/HST at 0%.

The supply of basic groceries, which includes most food and beverages marketed for human consumption, is zero-rated. However, certain categories of food and beverages such as candies and confectionery and granola products (unless sold as breakfast cereals) are taxable. For more information on basic groceries, refer to GST/HST Memorandum 4.3, *Basic Groceries*.

Products that are consumed for their therapeutic or beneficial effects (referred to in this info sheet as dietary supplements) are not basic groceries and consequently, supplies of these products are taxable. For more information on how to determine whether a product is considered a dietary supplement, refer to GST/HST Info Sheet (GI-001), *Products Commonly Described as "Dietary Supplements"*.

For convenience, we have grouped bars that are not dietary supplements into the following categories:

- meal replacement bars and nutritional supplement bars,
- chocolate bars and candy bars,

- granola bars,
- fruit bars,
- nut bars,
- cereal bars and muffin bars, and
- energy bars and protein bars.

Meal replacement bars and nutritional supplement bars

Bars that qualify as meal replacements or nutritional supplements under the *Food and Drugs Act* and Regulations are considered to be zero-rated basic groceries that do not fall under any of the categories of taxable food and beverages.

All supplies of meal replacement bars and nutritional supplement bars are zero-rated except when sold from a vending machine.

Chocolate bars and candy bars

Candies, confectionery that may be classed as candy, and all goods sold as candies, whether naturally or artificially sweetened, are taxable. Traditional chocolate or candy bars are taxable under this category.

In addition, fruits, seeds, nuts and popcorn when coated or treated with candy, chocolate, honey, molasses, sugar, syrup or artificial sweeteners are taxable under this category (e.g., sesame bars).

GI-020

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La version française du présent document est intitulée *Tablettes et barres*.

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Chocolate bars that are manufactured and/or packaged as fondue chocolate for fund-raising purposes (usually door-to-door sales) are also taxable under this category. These bars differ from fondue chocolate that is traditionally supplied in bar form (170 to 200 grams) in the baking section of grocery stores and is zero-rated. Chocolate bars sold as fondue chocolate for fund-raising purposes are the same as traditional chocolate bars, and are sold as candy. As such, these bars are taxable.

Granola bars

Granola products, other than granola products sold as breakfast cereals, are taxable. All supplies of granola bars are taxable.

Granola bars generally have a mixture of cereals (e.g., rolled oats or rice) and honey and/or syrup as the main ingredients, and may include nuts and fruit. The ingredients in granola bars are not processed to a great extent, thereby retaining the distinct character of each ingredient within the bar. Granola bars may have a chocolate or sweetened coating.

Bars that contain a mixture of cereals and honey and/or syrup, where the ingredients have been processed to the point that they have lost their distinct character, are not considered to be granola bars, but rather cereal or muffin bars (see description below).

Fruit bars

Fruit bars are taxable. Fruit bars include bars that are 100% fruit such as fruit leathers as well as bars that have fruit as a significant ingredient. Fruit bars may include fruit in combination with vegetables, grains, nuts or seeds. A bar that has fruit flavouring may also be considered to fall within this category.

A cereal bar with a fruit filling is generally not considered to be a fruit bar. These cereal bars are similar to muffins and pastries and are grouped under the category of cereal bars and muffin bars described below.

Nut bars

Nut bars are taxable. Nut bars generally include one or more types of nuts and syrup or honey as the main ingredients. These bars fall under the candy and confectionery category because they contain nuts coated or treated with honey, molasses, sugar, syrup or artificial sweeteners.

If the main ingredients in a nut bar include one or more cereals, then the bar is considered to be a granola bar, and is taxable. If the main ingredient in a nut bar is fruit, then the bar is considered to be a fruit bar and is taxable.

Cereal bars and muffin bars

Cereal bars and muffin bars are taxable when sold individually (regardless of the quantity purchased) and when sold in boxes containing less than six bars. Boxes containing six or more bars are zero-rated. However, bars intended for individual sale packed in shipping cartons, including display boxes, are taxable.

Cereal bars and muffin bars usually have ingredients similar to granola bars (i.e., a mixture of cereals and honey, and/or syrup), but the ingredients in cereal bars and muffin bars are processed to a greater extent. These bars may have a muffin-like texture or a fruit filling in a baked crust. This category also includes bars made from commercial breakfast cereals and other ingredients such as fruit.

Energy bars and protein bars

Energy bars and protein bars that are meal replacements or nutritional supplements are zero-rated except when sold from vending machines. Otherwise, supplies of these bars are generally taxable under one of the categories listed above, depending on the characteristics of the bar.

Many bars on the market are labelled as energy bars or protein bars. Energy bars usually have a higher proportion of carbohydrates than traditional snack bars, or have a certain balance of carbohydrates, fat and protein. Protein bars offer higher amounts of protein than traditional snack bars. Energy bars and protein bars may emphasize the protein content or

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their energy-boosting effect on the packaging, in product literature, or on the manufacturer's Web site. Energy bars and protein bars may be associated with weight-loss programs.

Energy bars and protein bars are often made with cocoa and have a chocolate coating, and are promoted as a healthier alternative to traditional chocolate bars. Some may have the same ingredients and texture as granola bars. Others may emphasize fruit content.

In summary

The table below summarizes the GST/HST treatment of bars, and the examples following the table illustrate how the tax applies to various bars.

Type of bar	Tax status
Meal replacement bars and nutritional supplement bars	Zero-rated (except when sold from a vending machine)
Chocolate bars and candy bars	Taxable
Granola bars	Taxable
Fruit bars	Taxable
Nut bars	Taxable
Cereal bars and muffin bars	Zero-rated (if package of 6 or more) ----- Taxable (if package of less than 6 or shipping carton for individual sale)
Energy bars and protein bars	Zero-rated (if meal replacement or nutritional supplement except when sold from a vending machine) ----- Taxable (if not meal replacement or nutritional supplement)

Example 1

Product M is a 50-gram cereal bar that is individually wrapped and sold in boxes of six bars. It is baked and has a muffin-like texture, and is available in two flavours: blueberry bran and apple cinnamon. Its main ingredients are flour and rolled oats.

Supplies of Product M are zero-rated because it is a cereal bar sold in boxes containing six bars. If it is sold singly or in boxes of less than six bars, then it is taxable.

Example 2

Product E is a 65-gram energy bar that is wrapped and sold individually. It is available in three flavours: chocolate fudge, peanut butter and caramel, and all the flavours have a chocolate coating. Its main ingredients are soy protein and corn syrup. Because of its balanced nutrition, Product E is promoted as a better alternative to a traditional chocolate bar whenever a person needs an energy boost.

Supplies of Product E are taxable because this bar is similar to, and competing with, traditional chocolate bars.

Example 3

Product P is an 80-gram protein bar that is individually wrapped and sold singly or in boxes of five bars. It is available in three flavours: chocolate, banana nut, and cookies and cream. It contains added vitamins and minerals and is a meal replacement under the *Food and Drugs Act* and Regulations.

Supplies of Product P are zero-rated because it is a meal replacement.

Example 4

Product G is a 35-gram granola bar that is individually wrapped and sold in boxes of sixteen bars. It is available two flavours: roasted peanut and roasted almond. Its main ingredients are rolled oats, nuts and corn syrup, which are pressed into bars and baked, thereby retaining their distinct characteristics.

Supplies of Product G are taxable since it is a granola product.

Example 5

Product F is a 30-gram fruit bar that is individually wrapped and sold in boxes of ten bars. It is available in three flavours: apple, strawberry, and raspberry. Its main ingredients are fruit purees.

Supplies of Product F are taxable because it is a fruit bar.

Example 6

Product S is a 40-gram cereal bar that is individually wrapped and sold singly. It has a fruit filling with a baked crust and is available four flavours: cherry, raspberry, blueberry and apple. Its main ingredients are flour, rolled oats, corn syrup and fruit puree.

Supplies of Product S are taxable since it is a cereal bar that is wrapped and sold individually. If it is sold in boxes containing six or more bars, it would be zero-rated.

Example 7

Product N is a 45-gram nut bar that is individually wrapped and sold in boxes of eight bars. It is available in three flavours: peanut, almond and mixed-nut. Its main ingredients are whole nuts and honey, which are pressed into bars.

Supplies of Product N are taxable since it consists of nuts coated or treated with honey.

The information in this info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its Regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact a Canada Revenue Agency GST/HST Rulings Centre for more information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287. A ruling should be requested for certainty in respect of any particular GST/HST matter.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenue Québec by calling the toll-free number 1-800-567-4692.

All GST/HST publications are available on the Internet at the CRA site at www.cra-arc.gc.ca/tax/technical/gsthst-e.html.

Reference in CRA publications is made to the harmonized sales tax (HST) that applies to property and services provided in Nova Scotia, New Brunswick, and Newfoundland and Labrador (the “participating provinces”) at the rate of 14%. The rate of the goods and services tax (GST) is 6%.