

GST/HST Info Sheet

Snack Foods

October 2006

This info sheet describes four kinds of snack foods that are taxable for purposes of the goods and services tax/harmonized sales tax (GST/HST).

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

One group of foods excluded from zero-rating is snack foods. This info sheet discusses four kinds of snack foods:

- salty and savoury snack foods,
- salted nuts or seeds,
- granola products, and
- snack mixtures.

Salty and savoury snack foods

Salty and savoury snack foods are taxable. This category of snack foods includes chips, crisps, puffs, curls or sticks (such as, potato chips, corn chips, cheese puffs, potato sticks, bacon crisps and cheese curls), other similar snack foods or popped corn and

brittle pretzels. It does not include crackers or any product that is primarily sold as a breakfast cereal.

To determine if a particular food product is a salty or savoury snack food for GST/HST purposes, several factors including the properties of the product (i.e., ingredients, flavours, texture, cooking process and appearance) and how the product is labelled, packaged and marketed are considered. No one factor should be relied on to make a determination of the product’s tax status. It should also be noted that changes in the labelling, packaging and/or marketing would not necessarily result in a different tax status.

Properties

Snack foods in the salty and savoury snack food category are usually made from potatoes, corn or corn meal. However, snack foods made from other ingredients such as rice, shrimp meal or vegetables could be regarded as “other similar snack foods” when other factors are considered.

Snack foods in this category are usually either salty or savoury and include foods with such flavours as salt and vinegar, barbeque, all-dressed, cheese, nacho, ketchup, pizza or sour cream and onion.

Salty and savoury snack foods are generally crispy, crunchy, brittle or fluffy in texture, and are usually deep-fried but sometimes are baked.

GI-021

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La version française du présent document est intitulée *Grignotines*.

Canada

Snack Foods

In appearance, salty and savoury snack foods can be small, thin and sliced like a chip, long and in cylindrical or rectangular form like a stick, a fluffy mass like a puff, or spiral or winding in form like a curl.

Packaging and labelling

Salty and savoury snack foods are generally packaged loosely in bags. The word “chip”, “crisp”, “puff”, “curl”, or “stick” generally appears in the name of the product and similar words may also appear elsewhere on the label. The label may describe the product as “crunchy” or “crispy” and/or as a “snack” or “party snack”. The label may also compare the product to other products in the salty or savoury snack foods category (e.g., “healthier than a chip” or “tastes like a chip”).

Marketing

Salty and savoury snack foods are generally advertised, whether through the print or electronic media, as a “snack”, a “snack food” or a “party snack”. The advertising, whether through print or electronic media, may include words commonly found on packages of chips, crisps, puffs, curls or sticks (e.g., “snack”, “snack food”, “party snack”, “crunchy” or “crispy”).

Placement of a product among other taxable snack products in places where they are sold is also a relevant consideration. However, the placement among other products in a store alone is not considered a determinative factor.

Example 1

Product A’s ingredients include enriched flour, vegetable oil shortening, and potato flakes. The product is available in six varieties: original, ranch, barbecue, all dressed, salt and vinegar and zesty cheese. It is loosely bagged and sold in 200-gram packages in the cracker aisle of the supermarkets. It is also sold in small bags. Each piece is comparable to the size of a potato chip. The product is described on the manufacturer’s website as “healthier than potato chips”. The label for Product A bears the following phrases: “part chip and part cracker”, “made with potato like a chip” and “maximum crunch”. The label also describes the product as “wheat cracker snacks” and “oven baked with wheat like a cracker”.

Product A is taxable, as it is considered to be a salty or savoury snack food. One of its main ingredients consists of potato (flakes). In addition, it is available in salty and savoury flavours. It comes in small thin slices and has a

crunchy texture. The product is packaged loose in bags and is labelled and marketed in a manner similar to taxable snack foods. The fact that the product is placed in the cracker aisle of supermarkets is not a determinative factor.

Example 2

Product B’s ingredients include peas, starch, canola oil, sugar, wheat flour, salt, monosodium glutamate, horseradish and tartrazine. It is loosely bagged and sold in 120-gram packages. Product B is labelled as a “great tasting snack” and “the snack that is a healthy alternative”. The label also suggests that it is for someone who is “craving for something different”. Product B is promoted on the manufacturer’s website as a “crunchy delicious snack”. The manufacturer’s Web site suggests that Product B is for “snackers in the mood for something a little bit different” and that “they’re just like spicy hot peanuts, only green!”

Product B is considered to be a salty or savoury snack food and therefore is it is taxable.

In addition to the properties of Product B, the manner in which it is labelled, packaged and marketed indicate that Product B is similar to other snack foods in the salty and savoury category. The inclusion of descriptive phrases on the label such as “snack”, “craving for something different”, “great tasting snack,” indicates that it is labelled in a similar manner to other taxable snack foods. The inclusion of phrases such as “crunchy delicious snack”, “snackers in the mood for something a little bit different”, “they’re just like spicy hot peanuts, only green!” on the manufacturer’s Web site indicates that Product B is also promoted and marketed in a similar manner to other taxable snack foods.

Example 3

Product C’s ingredients include enriched wheat flour, vegetable oil shortening, sugar, glucose-fructose, salt, malt flour, monocalcium phosphate, sodium bicarbonate, ammonium bicarbonate, soya lecithin and protease. The product comes in three flavours: regular, pizza and cheese. It is small in size and contains no filling. The product’s labelling includes the following phrases: “crackers”, “watch out for the outrageous taste” and “Product C is packed full of flavour that will tickle your taste buds to the max”. Product C is loosely packaged in 200-gram bags and is sold in the cracker section of the supermarket.

Product C is considered to be a zero-rated basic grocery. It has different properties from those found in other taxable snack foods. The ingredients give it an appearance and texture like a cracker. In addition, the absence of words on the labelling and marketing material of Product C that are usually associated with taxable snack foods indicates that it is not similar to these products.

Salted nuts or salted seeds

Salted nuts or salted seeds (e.g., salted peanuts, sunflower seeds, mixed nuts) are taxable. Nuts or seeds seasoned or coated with flavourings such as Cajun or barbeque flavours are taxable if the seasoning or coating includes salt as an ingredient. Unsalted nuts or unsalted seeds are zero-rated, unless they constitute a snack mixture as described below.

Granola products

Granola bars and other granola products (other than granola breakfast cereals) are taxable. Granola means a mixture of cereals (e.g., rolled oats, rice) and honey and/or syrup as the main ingredients, and may include nuts and fruit. The ingredients in granola are not processed to a great extent, and the distinct character of each ingredient is retained. The mixture may be sold in loose form or pressed into bars.

For more information on granola bars and other kinds of bars, see Info Sheet GI-020, *Bars*.

Snack Mixtures

Snack mixtures that contain cereals, nuts, seeds, dried fruit or any other edible product are taxable. A snack mixture is a mixture of two or more of these ingredients. For example products known as trail mixes, which contain various combinations of nuts, seeds and dried fruit are considered to be snack mixtures.

Mixtures of two or more varieties of the same kind of ingredient, such as two or more varieties of dried fruit, or two or more varieties of nuts are also considered to be snack mixtures and as such are taxable.

A mixture of two or more types of nuts is considered to be a snack mixture even if the nuts are not salted. However, mixtures of nuts in their natural state that are not further processed other than washed and/or cleaned are not considered to be snack mixtures and therefore are zero-rated. Nuts that have been roasted, shelled or seasoned are not considered to be in their natural state.

Snack mixtures usually have the following characteristics:

- Consumers commonly view them as snacks.
- Their ingredients are ready to eat; no further processing is required.
- The ingredients have been combined before the product is sold.
- The main ingredients remain separate and distinct from each other and are not bound into one whole.
- The main ingredients are often coated with a savoury seasoning such as salt or barbecue flavouring.
- They are eaten by the handful or as individual bite-sized pieces without utensils.
- They are usually sold in pouch packs or bags, from bulk bins or in clear plastic containers.

Example 4

Product D is a mixture of unsalted peanuts, cashews, almonds, filberts and Brazil nuts. The nuts are shelled and the product is sold from bulk bins in specialty food and health food stores.

Product D is considered to be a snack mixture as it contains more than one kind of shelled nut. Product D is taxable.

Example 5

Product F is a bag of shelled and unsalted and unseasoned sunflower seeds. The bag contains no other ingredients.

Product F is not considered to be a snack mixture because the product contains only type of seed with no other ingredients. It also is not considered a salty or savoury snack because the seeds are not salted or seasoned. Therefore, Product F is a zero-rated basic grocery.

Products sold primarily as breakfast cereals

Taxable salty and savoury snacks, granola products and snack mixtures do not include products sold primarily as breakfast cereals. Products sold as breakfast cereals are zero-rated basic groceries even if their properties are similar to taxable snacks. A breakfast cereal is a product that is labelled as a cereal and that is usually prepared by adding milk or water and is eaten with a spoon, usually at breakfast time.

Products sold through vending machines

All foods sold through vending machines are taxable.

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%.