



GST/HST Memoranda Series

4.3 Basic Groceries

November 1997
(Revised May 13, 1998)

Overview	This section provides detailed information on zero-rated basic grocery products as they relate to the Goods and Services Tax (GST) and Harmonized Sales Tax (HST) provisions of the <i>Excise Tax Act</i> .
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Disclaimer

The information in this memorandum does not replace the law found in the *Excise Tax 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 (CRA) 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.

If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

Note

This section of Chapter 4, *Zero-Rated Supplies*, in the GST/HST Memoranda Series replaces GST Memorandum 300-3-3, *Basic Groceries*. Due to the number of revisions, the changes have not been side-barred.

Note - HST

Reference in this publication is made to supplies taxable at 7% or 15% (the rate of the HST). Effective April 1, 1997, the 15% HST applies to supplies made in Nova Scotia, New Brunswick and Newfoundland (the “participating provinces”). If a person is uncertain as to whether the supply is made in a participating province, the person may refer to Technical Information Bulletin B-078, *Place of Supply Rules under the HST*, available from any Revenue Canada tax services office.

Basic groceries

General

1. The supply of basic groceries, which includes the majority of supplies of food and beverages marketed for human consumption (including sweetening agents, seasonings and other ingredients to be mixed with or used in the preparation of such food or beverages), is zero-rated. Certain categories of foodstuffs, for example, carbonated beverages, candies and confections, and snack foods are, however, taxable at 7% or 15%. If a product's tax status is in doubt, the Department will consider the manner in which the product is displayed, labelled, packaged, invoiced and advertised to determine its tax status.

4.3 Basic Groceries (continued)

Exclusions

2. Zero-rated basic groceries **exclude** goods such as plants and flowers, pet food, soaps and detergents, magazines and paper products, and kitchen utensils. Also **excluded** are supplies of most food prepared by eating establishments, supplies of food sold in the course of catering, and supplies of certain specified items such as soft drinks and snack foods, including candy, potato chips, salted nuts, and salted seeds. In addition, foodstuffs and beverages supplied from vending machines are also excluded from zero-rating (More information on vending machines is available in paragraphs 100 and 101 of this section.).
3. Generally, food products retain their tax status regardless of their form (e.g., milk powder vs. fluid milk), other than when supplied in pill, tablet, capsule or similar format. Second quality goods that are still suitable for human consumption and that are supplied as food or beverages for human consumption also retain their tax status.
4. Substandard food or waste from the manufacture of food for human consumption, which is not suitable for human consumption, is taxable at 7% or 15%. However, such products are commonly supplied for use as animal feeds and may include offal or refuse. If such goods qualify under the *Agriculture and Fishing Property (GST) Regulations* as ingredients for feed for zero-rated farm livestock or as feed for zero-rated farm livestock or poultry in their own right, the supply of these goods is zero-rated when the weight criteria under the Regulations are met. Further information on agriculture and fishing is contained in Section 4.4, *Agriculture and Fishing*, of this chapter.

Consumable products considered basic groceries

Sch. VI, Part III, s 1

5. Some examples of food and beverages that are zero-rated as basic groceries under section 1 include fresh, frozen, canned and vacuum sealed fruits and vegetables, flour, breakfast cereals, most milk products, fresh and cooked meat, and meat products (excluding food heated for consumption), fresh and cooked fish (excluding food heated for consumption or in sandwiches), and fish products, eggs and egg products (excluding those in sandwiches), coffee and coffee substitutes, tea, and cocoa.

Sweetening agents, seasonings, etc.

6. Basic groceries also include sweetening agents, artificial sweeteners, sugar, seasonings and spices, and other ingredients to be mixed with or used in the preparation of food and beverages for human consumption when sold alone.

Farm livestock Sch. VI, Part IV, s 1

7. Most farm livestock ordinarily raised for human consumption is zero-rated. When farm livestock is zero-rated, it is zero-rated unconditionally except in the case of rabbits. The supply of rabbits is zero-rated except when the supply is made in the course of a business in which the supplier regularly sells rabbits as pets to consumers. This means that supplies of rabbits from pet stores and similar establishments are taxable at 7% or 15%. Further information on agriculture and fishing is contained in Section 4.4, *Agriculture and Fishing*, of this chapter.

4.3 Basic Groceries (continued)

Salt

8. The supply of salt that is in a raw state just extracted from a mine or brine well is taxable throughout the production chain and **only becomes zero-rated** at the point where it is packaged for sale for human consumption. For example, table salt, salt for curing fish and pickling salt are zero-rated basic groceries.
9. Supplies of salts that are ingredients in food or beverages, and that also have industrial applications (such as industrial water softening), are zero-rated regardless of the purchaser's proposed use of the product when supplied in the same packaging and format as when supplied for human consumption.
10. Supplies of salts **solely** for industrial applications such as de-icing salt for roads and salt for industrial water softening are taxable at 7% or 15%.

Other multi-use goods with applications as ingredients for food or beverages for human consumption

Sch. VI, Part III, s 1

11. Supplies of ingredients to be mixed with or used in the preparation of food and beverages for human consumption are zero-rated.
12. Many products have uses as ingredients for food or beverages for human consumption. These same products may also have non-food or non-beverage uses. Such multi-use ingredients are zero-rated when supplied as ingredients for human consumption. The policy for the supply of such multi-use goods is:
 - (a) When multi-use products with uses as ingredients for food for human consumption are supplied for use as food ingredients, the supply is zero-rated. When the product is supplied for a non-food use in the same packaging or form (such as in bulk) as when supplied for food or beverage uses, the supply is also zero-rated. For example, food grade starch may be used in the manufacture of non-food items. The supply of bulk food grade starch is zero-rated when it is in the same packaging or form as when supplied for food uses. Packaging is important in determining the tax status of supplies. When a good is packaged and promoted for non-food uses only, the supply is taxable at 7% or 15%.
 - (b) Supplies of the following food additives: ethyl alcohol and other alcohols, and supplies of propane and carbon dioxide (CO₂) are not zero-rated as ingredients for basic groceries.

Products consumed by specific cultural groups

13. Products consumed as food or beverages by specific cultural groups, which are not normally identified as food or beverages in Canada, are considered zero-rated basic groceries if the food or beverages are consumed as basic grocery items for nourishment (as opposed to food or beverages consumed for actual or perceived medicinal properties), unless the food or beverages are specifically excluded from zero-rating under the provisions of paragraphs 1(a) through 1(r) of Part III of Schedule VI.

4.3 Basic Groceries (continued)

Edible or consumable products that are not basic groceries

14. Some edible products are not basic groceries. They are usually not available and are not normally purchased by consumers in grocery stores. These products are taxable at 7% or 15%, and include vegetable plants (i.e., plants to be grown to produce vegetables), dietary supplements, vitamins and minerals (Refer to paragraphs 21 and 22 of this section for more information on vitamins).

15. Dried packaged herbs and spices sold and represented for use as seasonings for food are zero-rated.

Dietary supplements

Paragraphs 16 to 19 have been cancelled. Information on the tax status of dietary supplements is contained in Policy Statement P-240.

Meal replacements

20. Meal replacement products such as meal replacement bars and meal replacement beverages are not considered to be dietary supplements. Meal replacement bars are zero-rated as basic groceries. Meal replacement beverages will also be considered to be a “food” and not be considered to be a beverage for purposes of paragraph 1(n) of Part III of Schedule VI. As such, all supplies of these beverages (single servings, cases or portions of cases) are zero-rated under section 1 of Part III of Schedule VI. Meal replacement beverages are also not considered to be a non-carbonated fruit beverage for purposes of paragraph 1(d) of Part III of Schedule VI. As a result, all supplies (regardless of flavour) of these beverages are zero-rated under section 1 of Part III of Schedule VI.

Vitamins

21. Vitamins and minerals in pill, capsule or tablet form are not considered to be basic groceries, and are therefore taxable at 7% or 15%. However, some vitamins and minerals may be zero-rated under Part I (Prescription Drugs and Biologicals) of Schedule VI. Refer to Section 4.1, *Prescription Drugs and Biologicals*, of this chapter for more information on these vitamins and minerals.

22. Vitamins and minerals sold for use as ingredients in food for human consumption such as vitamins purchased by a manufacturer for use as ingredients in breakfast cereal products are zero-rated as ingredients for food or beverages for human consumption.

23. Tonics such as cod liver oil or those for general health are taxable at 7% or 15%.

4.3 Basic Groceries (continued)

Mixed supplies of zero-rated basic groceries and products taxable at 7% or 15%

24. A supply comprising zero-rated and taxable elements may have a different taxable status depending on the nature and characteristics of the particular supply. For instance, a combination of peppercorns and a peppermill would be taxable at 7% or 15% because the greater part of the value would be for the the peppermill. Registrants are advised to contact the nearest Revenue Canada tax services office to determine the tax status of such supplies.

Gift baskets

25. Special administrative rules have been designed for supplies of gift baskets. When all or substantially all (e.g., 90% or more) of the value of the supply comprising a gift basket is zero-rated, the tax status of the supply is zero-rated. Conversely, when the value of the component parts, each of which is taxable at 7% or 15%, exceeds 10% of the total value of the supply, the supply is taxable at 7% or 15%. For example, if the value of the goods in the gift basket, which are taxable at 7% or 15% (including the value of the decorative basket itself), exceeds 10% of the value of the total supply, the supply is taxable at 7% or 15%. Decorative baskets used in creating gift baskets are not considered to be usual coverings or containers for purposes of section 137 of the Act.

Foodstuffs excluded from zero-rating

Wines, spirits, beer, malt liquor or other alcoholic beverages

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| Sch. VI, Part III, para 1(a) | 26. Supplies of wine, spirits, beer, malt liquor or other alcoholic beverages are taxable at 7% or 15%. |
| De-alcoholized beer and de-alcoholized wine | 27. De-alcoholized beer and de-alcoholized wine, whether imported or produced domestically, are taxable at 7% or 15% in addition to the excise taxes/duties applicable to beer and wine. |
| Beer-making kits | 28. Beer-making kits containing only the ingredients to make beer (yeast, hops etc.) are zero-rated. Beer-making kits containing more than just ingredients to make beer such as kits that include equipment or apparatus required to manufacture beer are taxable at 7% or 15%. |
| Grape juice concentrates for wine-making | 29. Supplies of grape juice concentrates used by consumers to make wine are zero-rated. |
| Zero-rated supplies of condiments | 30. Supplies of food preserved in alcohol and cooking wines sold and represented as a condiment, and normally purchased in grocery stores, regardless of whether made by a fermentation process or from spirits, are zero-rated. |

4.3 Basic Groceries (continued)

Non-alcoholic malt beverages

Sch. VI, Part III, para 1(b) 31. Paragraph 1(b) of Part III of Schedule VI, which excludes non-alcoholic malt beverages from zero-rating, is repealed effective March 20, 1997. The effects of this change are negligible because non-alcoholic malt beverages are carbonated, and therefore already excluded from zero-rating under paragraph 1(c).

Carbonated beverages

Sch. VI, Part III, para 1(c) 32. Supplies of carbonated beverages are taxable at 7% or 15%. Examples include:

- carbonated drinks such as ginger ale and cola, and mixers such as tonic and soda water; and
- carbonated mineral water, whether flavoured or otherwise, and whether naturally carbonated or otherwise.

Soda fountains 33. Many establishments operate soda fountains. These fountains are operated with a cylinder of pre-mix or post-mix. Pre-mix is a carbonated beverage. It is supplied in a cylinder and contains all the syrups and CO₂ required. The operator attaches this to the fountain and the fountain dispenses a carbonated beverage. Pre-mix acquired by such establishments is taxable at 7% or 15%. Post-mix contains other ingredients for a carbonated beverage, but does not contain CO₂. The supply of post-mix is zero-rated. The supply of cylinders of CO₂ is taxable at 7% or 15%.

Zero-rated supplies of beverage ingredients 34. Supplies of syrups, crystals, powders and flavourings for making beverages (unless excluded from zero-rating as a fruit-flavoured beverage under paragraph 1(d) of Part III of Schedule VI) are zero-rated.

Non-carbonated beverages

Sch. VI, Part III, para 1(d) 35. Supplies of non-carbonated fruit juice beverages or fruit-flavoured beverages, other than milk-based beverages, that contain less than 25% by volume of

(a) a natural fruit juice or combination of natural fruit juices, or

(b) a natural fruit juice or combination of natural fruit juices that have been reconstituted into the original state,

or goods that, when added to water, produce a beverage included in this paragraph are taxable at 7% or 15%.

36. Supplies of non-carbonated fruit juice or fruit-flavoured beverages, including concentrates that, when reconstituted (according to instructions on the package) contain less than 25% by volume of natural juice(s), are taxable at 7% or 15%.

4.3 Basic Groceries (continued)

37. To determine the tax status of frozen fruit juice beverage concentrates, the Department will consider the percentage of fruit juice by volume in the frozen concentrate (not the percentage of fruit juice in the beverage when reconstituted). If the percentage of fruit juice in the concentrate is more than 25% by volume, the supply of the concentrate is zero-rated. If the percentage of fruit juice in the concentrate is less than 25% fruit juice by volume, the supply of the concentrate is taxable at 7% or 15%.

38. Supplies of powdered fruit-flavoured mixes that require mixing with water and that contain little or no actual fruit (other than ice tea mixes), are taxable at 7% or 15%. However, ice tea mixes, including fruit-flavoured ice tea mixes, are zero-rated.

39. Consumer packages containing multiples of single servings of beverages described in paragraph 1(d) of Part III of Schedule VI are taxable at 7% or 15%. These supplies are not zero-rated under paragraph 1(n) of Part III of Schedule VI.

Candies

Candies
Sch. VI, Part III, para
1(e)

40. Supplies of candies, confectionery that may be classed as candy, or any goods sold as candies, whether naturally or artificially sweetened, and including fruits, seeds, nuts and popcorn when they are coated or treated with candy, chocolate, honey, molasses, sugar, syrup or artificial sweeteners are taxable at 7% or 15%. Examples include:

- nuts, popcorn, raisins, apples etc., when coated or treated with candy, chocolate, molasses, sugar or syrup;
- chocolate cups with a sweetened filling and chocolate bars;
- chocolates containing fruits, toffees, caramel, fondant, liqueurs;
- fruit pastilles, turkish delights and similar jelly sweets;
- marzipan sweets;
- marshmallows and cream sweets;
- sesame bars;
- meringue nests;
- chewing gum;
- candy floss; and
- chocolate-covered coffee beans.

Zero-rated supplies of
baking ingredients

41. The following supplies of baking ingredients are zero-rated:

- bulk industrial chocolate;
- baker's chocolate;
- liquid chocolate icing;
- edible cake decorations packaged and sold as cake decorations;
- chocolate spread; and
- angelica and cocktail cherries.

4.3 Basic Groceries (continued)

Snack foods

- Sch. VI, Part III, para 1(f) 42. Supplies of 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 popcorn and brittle pretzels, but not including any product that is sold primarily as a breakfast cereal, are taxable at 7% or 15%.
43. Unpopped popcorn kernels, including microwave unpopped popcorn kernels, are zero-rated when salted or otherwise.
- Salted nuts and salted seeds
Sch. VI, Part III, para 1(g) 44. Supplies of salted nuts or salted seeds (e.g., salted peanuts, sunflower seeds, etc.) are taxable at 7% or 15%.
- Unsalted mixtures of nuts and seeds 45. A supply of a mixture of two or more types of unsalted nuts is excluded from zero-rating under paragraph 1(i) of Part III of Schedule VI. Supplies of mixed nuts, whether salted or not, are taxable at 7% or 15% as are other similar mixtures. Mixtures containing two or more types of unsalted nuts or seeds are taxable at 7% or 15% as are mixtures containing two or more types of dried fruit.
- Granola products
Sch. VI, Part III, para 1(h) 46. Supplies of granola products (e.g., granola bars and similar products), but not including any product that is sold primarily as a breakfast cereal, are taxable at 7% or 15%.
- Snack mixtures
Sch. VI, Part III, para 1(i) 47. Supplies of snack mixtures that contain cereals, nuts, seeds, dried fruit or any other edible product, but not including any mixture that is sold primarily as a breakfast cereal, are taxable at 7% or 15%.
48. Supplies of products known as trail mixes which contain various combinations of the products described in paragraphs 46 or 47 of this section are taxable at 7% or 15%.
- Ice lollies, juice bars, etc.
Sch. VI, Part III, para 1(j) 49. Ice lollies, juice bars, flavoured, coloured or sweetened ice waters, or similar products, whether frozen or not, are taxable at 7% or 15%. Supplies of juice bars and similar products (e.g., juice lollies and juice sticks) have been added to this paragraph. This change applies to supplies for which all the consideration becomes due, or is paid without having become due, on or after May 14, 1996.
50. Goods excluded from zero-rating under paragraph 1(j) of Part III of Schedule VI include ice lollies or ice waters such as popsicles (brand name and generic), juice bars, juice sticks and similar products. Also included are goods such as ice waters when packaged in plastic sheaths, and similar goods. All these goods are taxable at 7% or 15% whether frozen or not.
51. All the goods listed in paragraph 50 of this section are taxable at 7% or 15% when containing fruit juice and/or fruit pieces regardless of the percentage of fruit juice in the product and regardless of whether the product is on a stick or otherwise.

4.3 Basic Groceries (continued)

52. Frozen confections containing a mixture of fruit/fruit juice **and** dairy products (such as cream or ice cream) are excluded from zero-rating under paragraph 1(k) of Part III of Schedule VI. (More information is contained in paragraphs 53 to 57 of this section.) All supplies of these goods are taxable at 7% or 15% regardless of the number of units/servings supplied. Shipping packages and consumer packages containing multiples of single servings of these goods are both taxable at 7% or 15%.
- Ice cream and similar products, and single servings of frozen non-dairy substitutes
Sch. VI, Part III, para 1(k)
53. Ice cream, ice milk, sherbet, frozen yoghurt and frozen pudding, non-dairy substitutes for any of the foregoing, and any product that contains any of the foregoing, when packaged or sold in single servings are taxable at 7% or 15%.
54. Supplies of frozen non-dairy substitutes similar to ice cream, ice milk, sherbet, frozen yoghurt, or frozen pudding (e.g., tofu-based frozen snacks), when packaged or sold in single servings, have been added to the foods that are excluded from zero-rating. This change applies to supplies for which all the consideration becomes due, or is paid without having become due, on or after May 14, 1996.
55. Products that include ice cream and similar products such as ice cream bars and frozen yoghurt bars, etc., are taxable at 7% or 15%.
- Single serving size
56. In the case of products listed in paragraph 1(k) of Part III of Schedule VI, which are measured by volume, a single serving is a package or unit of less than 500 mL. In the case of products measured by weight, a single serving is a package or unit of less than 500 grams.
57. The supply of packages of two or more single serving frozen products is taxable at 7% or 15%. As long as the products are in single serving sizes, the tax applies without regard to the number of single servings in the package. The provision does not differentiate between the supply of an individual single serving or the supply of a package containing multiples of single servings. A product is considered to be packaged in single servings where each of the portions is individually wrapped or packaged in its own right.
- Meaning of single serving
58. The phrase "single serving" includes cones, sundaes, cups, dishes, bowls or similar containers, excluding containers that contain 500 mL or more of these goods when packed at the retail level for home consumption. A single serving also includes a beverage container when the single serving contains any of the goods listed in the paragraph 1(k) of Part III of Schedule VI as in the case of a float containing ice cream.
- Fruit bars, rolls, etc.
Sch. VI, Part III, para 1(l)
59. Supplies of fruit bars, rolls, or drops or similar fruit-based snack foods (in solid or semi-liquid format) are taxable at 7% or 15%. This includes fruit leathers (dried fruit bars) and similar products.

Sweetened baked goods and similar products

- Sch. VI, Part III, para 1(m)
60. Supplies of cakes, muffins, pies, pastries, tarts, cookies, doughnuts, brownies, croissants with sweetened filling or coating, or similar products are taxable at 7% or 15% where

4.3 Basic Groceries (continued)

(a) they are pre-packaged for sale to consumers in quantities of **less than six items** each of which is a single serving, **OR**

(b) they are not pre-packaged for sale to consumers and are sold as single servings in quantities of less than six.

61. The conditions in paragraph 60 of this section do not apply to bread products such as bagels, English muffins, croissants, or bread rolls that do not have sweetened fillings or coatings. The supply of these goods is zero-rated unless sold in a restaurant or other eating establishment. Refer to paragraphs 82 to 104 of this section for more information.

Single serving size

62. A single serving is a serving of cake, pie, muffin, pastry, tart, cookie, doughnut, brownie, croissant with sweetened filling or coating or a similar product weighing less than 230 grams **OR** a portion or part of a good under this paragraph when offered for sale as a single serving.

63. Included in paragraph 1(m) of Part III of Schedule VI are foods commonly purchased or served as a dessert or snack that are baked, fried, fresh or frozen, or otherwise prepared for sale.

Multiple servings

64. A mixed supply of six or more single servings of these goods is zero-rated. For example, a supply of one tart, two muffins, one cookie and two doughnuts, purchased from a doughnut shop (when they are not individually packaged), is considered to be six single servings for the purposes of paragraph 1(m) of Part III of Schedule VI, and therefore zero-rated. If, however, the goods are pre-packaged for sale to consumers individually or in any quantity less than six, the supply is taxable at 7% or 15%.

Sweetened filling

65. The term "sweetened filling" includes any sweetening ingredients (other than unsweetened fruit) added as a filling, but **excludes** sweetened products added merely as a catalyst for leavening agents (known as yeast foods).

Sweetened coating

66. The term "sweetened coating" includes any icing, sugar or sweetened topping applied to the surface of a product before, during or after processing.

67. Marshmallow squares such as rice krispie squares are similar to confectionery items, yet are marketed like sweetened baked goods. These items are treated as sweetened baked goods for GST/HST purposes. The supply of six or more single servings of these goods is zero-rated under the appropriate conditions. A mixed supply of six or more single servings, including rice krispies squares, also under the appropriate conditions is zero-rated. (For information on the appropriate conditions, refer to paragraphs 62 and 64 of this section.)

4.3 Basic Groceries (continued)

Packaging for sale to consumers

68. Paragraph 1(m) of Part III of Schedule VI refers to goods "prepackaged for sale to consumers" in varying quantities. The term is understood to mean packaging undertaken or performed by the manufacturer, or undertaken on the manufacturer's behalf, as in a contract-for-labour arrangement. "Prepackaged for sale to consumers" is also understood to include any prepackaging of any kind performed in the retail environment. Products offered for sale that have been bagged or boxed in a retail bakery are considered "prepackaged for sale to consumers" for the purposes of paragraph 1(m). Goods packaged at the time of sale for the customer to carry home are not considered "prepackaged for sale to consumers".

69. When goods are not manufactured or prepared in a retail environment, the following information will help in determining whether a package is "prepackaged for sale to consumers":

- A zero-rated prepackaged unit is a package of six or more single servings packaged by the manufacturer in a container intended for purchase by the final consumer. A package intended for sale to consumers normally includes information required under the *Consumer Packaging and Labelling Act*. This information includes ingredients and net weight.
- This packaging can also contain a universal product code (UPC) to be read by scanner-type point-of-sale equipment. The UPC is not required to be on packaging under the *Consumer Packaging and Labelling Act*. The absence of a UPC does not preclude the packaging being acceptable for the Department's purposes. However, its presence aids in determining whether the product is prepackaged.
- Some packages considered "prepackaged for sale to consumers" contain other packages within them. For example, a box containing eight tarts may contain four cellophane packages, each containing two of the tarts. The box contains the consumer packaging information as required under the *Consumer Packaging and Labelling Act*. The box is considered a prepackaged unit for the purposes of paragraph 1(m) of Part III of Schedule VI, and the supply of the box of tarts is zero-rated.
- In another example, a box or container normally used for shipping purposes, containing 24 consumer packages of less than six single servings is taxable at 7% or 15%, regardless of the number of single servings in the shipping container.

Taxable goods under Sch. VI, Part III, para 1(m)

70. Goods that are taxable at 7% or 15% under the conditions listed in paragraph 60 of this section include:

- cakes, including coffee cakes, tea cakes etc.;
- tarts;
- pies;
- flans;
- sweetened crepes and pancakes;
- muffins;

4.3 Basic Groceries (continued)

- cookies and biscuits, including fig newtons and oat cakes;
- strudel;
- squares;
- bars, including nanaimo bars;
- tortes;
- plum puddings;
- doughnuts;
- beignets and fritters;
- waffles;
- loaves/breads such as banana or carrot loaf consisting primarily of a muffin mix or similar sweetened base; and
- hot cross buns.

Zero-rated supplies
under Sch. VI, Part III,
para 1(m)

71. The following are examples of zero-rated supplies. They are not considered to be "sweetened baked goods" for the purposes of paragraph 1(m):

- tortilla and taco shells;
- savory and meat pies;
- doughs of all kinds, including puff pastry and cookie doughs;
- pie shells, vol-au-vent, and phylo leaves;
- English muffins without a sweetened filling coating;
- soft pretzels;
- traditional bread products such as bagels, scones and tea biscuits, croissants or bread rolls, without sweetened filling or coating; and
- crackers (other than graham crackers), including:
 - soda crackers,
 - salted crackers,
 - table water crackers,
 - cream crackers,
 - rice crackers,
 - crispbread,
 - snacking crackers (including vegetable, bacon or cheese flavoured),
 - wheat thins,
 - toasts,
 - bread sticks,
 - rusks, and

4.3 Basic Groceries (continued)

- unsweetened rice cakes.

Beverages and puddings

Sch. VI, Part III, para 1(n)

72. Supplies of beverages (other than unflavoured milk), or pudding, including flavoured gelatine, mousse, flavoured whipped dessert product or any other products similar to pudding are taxable at 7% or 15%, except

- (a) when prepared and pre-packaged specially for consumption by babies,
- (b) when sold in multiples, pre-packaged by the manufacturer or producer, of single servings, or
- (c) when the cans, bottles or other primary containers in which the beverages or products are sold contain a quantity exceeding a single serving.

73. All supplies of yoghurt are zero-rated.

74. The single serving threshold for beverages includes all servings under 600 mL in volume. As with other beverages under this provision, the supply of an individual single serving of potable water is taxable at 7% or 15%. Manufacturer's packages of two or more single servings (e.g., six-packs, cases of 24 of the beverages described in paragraph 72 of this section) are zero-rated and all servings greater than a single serving are also zero-rated.

75. In addition to quantity, the Department will consider the manner in which the beverage is packaged, marketed and promoted to determine the tax status. For example, the supply of tomato and vegetable juices in 540 mL sealed cans (i.e., cans without built-in opening devices) is zero-rated. Tomato and vegetable juices supplied in these quantities and in this type of container are not marketed and promoted as single servings.

76. Changes by the manufacturer to the packaging of a particular beverage will not necessarily change its tax status. For example, if a manufacturer changed the packaging of a 275 mL "pull-tab" beverage to an entirely sealed can, the supply could still be taxable at 7% or 15% as the product could still be considered a single serving given its packaging size, marketing and promotion.

Single serving taxable beverages

77. Beverages excluded from zero-rating under paragraph 1(n) of Part III of Schedule VI when a manufacturer's package containing only one single serving is supplied include:

- spring water;
- juices with 25% (or more) natural fruit juice (other than carbonated fruit juice beverages excluded from zero-rating under paragraph 1(c) of Part III of Schedule VI);
- chocolate milk; and
- fruit-flavoured yoghurt-based beverages.

4.3 Basic Groceries (continued)

Opened manufacturer's packages	78. When a manufacturer's case is broken open and single servings are supplied individually from the case, the supply of the individual single serving remains taxable at 7% or 15%. The supply of a portion of a case or of a part case is also taxable at 7% or 15%. Only full, complete cases or units of two or more attached single servings which are packaged for sale to consumers are zero-rated.
Bulk or unbottled water	79. Most bulk or unbottled supplies of water are made by municipalities via a water distribution system to residences within the municipalities. However, some supplies of bulk water are made by private vendors. For example, machines to dispense purified water can be found in grocery stores. Individuals bring in their own containers or acquire a container at the store and fill the container at the machine themselves. 80. The legislation provides for all unbottled or bulk water to be zero-rated when supplied to consumers in a quantity exceeding a single serving. The same thresholds discussed in paragraphs 74 and 75 of this section apply in the case of unbottled water. From January 1, 1991, to February 23, 1992, inclusive, all sizes of 500 mL and less were considered single servings. Effective February 24, 1992, all sizes below 600 mL are considered to be single servings.
Supplies by commercial haulers Sch. V, Part VI, s 23	81. All supplies of unbottled water made by commercial water haulers are exempt under section 23 of Part VI of Schedule V. However, the supply of unbottled water by a government (other than a municipality) is taxable at 7% or 15% unless the government is designated as a municipality for this purpose.

Heated foods or beverages

Food or beverages heated for consumption Sch. VI, Part III, para 1(o)	82. Food or beverages heated for consumption are excluded from zero-rating under paragraph 1(o) of Part III of Schedule VI. This provision has been amended by removing the phrase "when sold in a form suitable for immediate consumption, either where sold or elsewhere...". This amendment applies to supplies for which all the consideration becomes due, or is paid without having become due, on or after May 14, 1996.
Previous legislation Sch. VI, Part III, para 1(o)	83. Under the previous legislation, supplies of prepared foods or beverages sold in a form suitable for immediate consumption, either where sold or elsewhere, were taxable at 7%.
Food or beverages heated for consumption Sch. VI, Part III, subpara 1(o)(i)	84. Food or beverages heated for consumption include food and beverages supplied by establishments (e.g., grocery stores or restaurants) which sell hot food and beverages that have been deliberately heated or kept hot so that they can be consumed hot. The tax status of any cooked foods that are sold other than hot depends on the way they are sold. For example: (a) if they are sold from a heated cabinet, they are taxable at 7% or 15%; (b) if the establishment has a separate take-out counter, any hot foods sold from this counter are taxable at 7% or 15%;

4.3 Basic Groceries (continued)

(c) if the cooked foods are cold and are sold from unheated or refrigerated shelves at other counters to be subsequently re-heated prior to consumption, they are zero-rated.

85. Food and beverages purchased and heated at the point of purchase area are also taxable at 7% or 15%.

Salads

Salads not canned or vacuum sealed
Sch. VI, Part III,
para 1(o.1)

86. The supply of salads except when they are canned or vacuum sealed is taxable at 7% or 15%.

87. Salads are considered to include food containing ingredients such as chopped, shredded, diced, sliced, or pureed vegetables, meat, fish, egg, or other food supplied with a dressing and/or seasoning(s), where the dressing is mixed with the other ingredients. A combination of one ingredient mixed with a dressing or seasoning(s), which is sold or represented as a salad is also considered to be a salad.

Salads in containers

88. All supplies of salads in cans or in containers that are vacuum sealed are zero-rated.

Gelatin salads

89. Salads also include gelatin salads. These salads commonly contain fruit and may be formed in the shape of a mould.

Ingredients for salads

90. A package which contains the ingredients for a salad where the ingredients are not mixed, such as a package containing lettuce, croutons and dressing (i.e., where the ingredients are in separate containers) and that require mixing by the consumer, is not considered to be a salad for purposes of the GST/HST.

91. The supply of a package of salad ingredients as described in paragraph 90 above is considered to be a supply of basic groceries and is zero-rated.

Previous legislation
salads
Sch. VI, Part III,
subpara 1(o)(ii)

92. Under the previous legislation, salads were taxable at 7% when sold in a form suitable for immediate consumption. (Refer to the Appendix for information on the administration of this provision prior to the amendment.)

Sandwiches

Sandwiches, etc., other
than when frozen
Sch. VI, Part III,
para 1(o.2)

93. Supplies of sandwiches and similar products other than when frozen are excluded from zero-rating under new paragraph 1(o.2), which replaces previous subparagraph 1(o)(iii) dealing with sandwiches and similar products. The new paragraph differs only in that it includes the words "other than when frozen" as a substitute for the previous test of whether the product was sold "in a form suitable for immediate consumption". This amendment applies to supplies for which all the consideration becomes due, or is paid without having become due, on or after May 14, 1996. "Frozen" is understood to mean to be maintained at a temperature equal to or less than zero degrees Celsius. Cooled or refrigerated sandwiches are considered suitable for immediate consumption when kept at a temperature above zero degrees Celsius.

4.3 Basic Groceries (continued)

94. The tax applies on the sale of all sandwiches, hamburgers, hot dogs as "sandwiches or similar products" regardless of whether they are in a refrigerated cooler or fresh. Some examples include:

- hot dogs, hamburgers
- open-faced sandwiches
- toasted sandwiches
- submarines or hero sandwiches
- pita bread sold with a mixture of prepared food in the pocket or wrapped as a roll.

Platters

Platters of cheese, cold cuts and other prepared foods
Sch. VI, Part III,
para 1(o.3)

95. Supplies of platters or arrangements of cheese, cold cuts (e.g., meat, fish poultry), fruit or vegetables and other arrangements of prepared foods and other food are taxable at 7% or 15% whether or not they are in a form suitable for immediate consumption. For example, frozen platters of prepared foods are taxable at 7% or 15%. This amendment is effective for supplies for which all of the consideration becomes due, or is paid without having become due, on or after May 14, 1996. Where there is also a catering charge or other service charge made, which is contingent upon the sale of the foodstuff, whether billed separately or not, such a charge is also taxable at 7% or 15% (More information on catering is provided in paragraph 99 of this section.). Examples include:

- trays of appetizers including cheese, fruit, canapés, pâtés;
- crudités;
- platters of meat, fish, poultry and other foods including cold cuts; and
- frozen shrimp rings.

96. Other arrangements of prepared food include, for example, sushi (i.e., Japanese prepared food primarily comprising rice and raw seafood) which is also taxable at 7% or 15%.

97. Any combination of zero-rated foodstuffs that are not suitable for immediate consumption such as baskets containing assortments of tinned fish, condiments, sauces, mustards, vinegars, cheeses, fruits and similar products is subject to the rules for mixed supplies contained in paragraph 24 of this section.

Beverages dispensed at place where sold
Sch. VI, Part III,
para 1(o.4)

98. Beverages dispensed at the place where they are sold are taxable at 7% or 15%. This includes servings of **all beverages** such as milk, coffee, tea and ice tea, hot chocolate and juice when dispensed where supplied.

4.3 Basic Groceries (continued)

Catered food and beverages

Catering services
Sch. VI, Part III,
para 1(o.5)

99. Previously, some food supplied in the course of catering remained zero-rated. Currently, the supply of all food or beverages provided under, or in conjunction with, catering services is taxable at 7% or 15%. This applies to supplies for which all of the consideration becomes due, or is paid without having become due, on or after May 14, 1996.

Food or beverages sold through a vending machine

Sch. VI, Part III, para
1(p)

100. All supplies of food and beverages sold through a vending machine are taxable at 7% or 15%. This includes all food or beverages that are normally zero-rated when not purchased through a vending machine such as a single serving of unflavoured white milk or an apple.

Coin-operated vending
machines
ss 165.1(2) of the Act

101. If a foodstuff or beverage is supplied from a vending machine for a single coin of \$0.25 or less, the tax is calculated to be zero.

Other sales in eating establishments

Sch. VI, Part III, para
1(q)

102. Supplies of food or beverages when sold at an establishment at which all or substantially all of the sales of food or beverages are sales of food or beverages included in any of paragraphs 1(a) to 1(p) of Part III of Schedule VI are taxable at 7% or 15% except where,

- (a) the food or beverage is sold in a form not suitable for immediate consumption, having regard to the nature of the product, the quantity sold or its packaging, or
- (b) in the case of a product described in paragraph 1(m) of Part III of Schedule VI,
 - (i) the product is pre-packaged for sale to consumers in quantities of more than five items each of which is a single serving, or
 - (ii) the product is not pre-packaged for sale to consumers and is sold as single servings in quantities of more than five,

and is not sold for consumption at the establishment.

103. "Establishments", for the purposes of this provision, are considered by the Department to be providers of prepared food or beverages whose sales of taxable food and drink constitute all or substantially all (90% or more) of their sales. Examples include:

- eat-in restaurants and drive-in restaurants;
- fast food outlets or "quick service" outlets;
- take-out and home delivery outlets;
- pubs, taverns, bars and lounges;
- cafeterias and dining rooms;

4.3 Basic Groceries (continued)

- lunch counters, coffee shops and snack bars;
- mobile canteens;
- catering services;
- hotels, motels and lodging houses;
- private or social clubs, and similar places or establishments where prepared food products are provided;
- convention centres;
- sports arenas and stadiums;
- meeting halls and union halls;
- Royal Canadian Legion halls;
- passenger transportation vehicles of any type wherein food and/or beverages are provided for a separate consideration; and
- any eating facility within a business entity, for example, a lunch counter within a retail department store.

104. Where businesses operate in the manner described in paragraph 102 of this section, the eating facility within another legal entity is considered to be a separate entity, and is considered to be an eating establishment for purposes of paragraph 1(q) of Part III of Schedule VI.

Detailed information on prepared salads - Schedule VI, Part III, subparagraph 1(o)(ii)

The following provides detailed information on the administration of the above-mentioned provision prior to May 14, 1996:

- Salads are considered to include mixtures of different foods, including chopped, shredded, diced, sliced or pureed vegetables, meat, fish, egg, or other food prepared with a dressing or seasoning(s). Salads include packages of mixed and shredded vegetables with a dressing or seasoning(s).
- Salads also include gelatine salads. These salads commonly contain fruit and may be formed in the shape of a mould.
- All salads are taxable at 7% except salads that are canned or in vacuum sealed containers since these salads are not considered to be in a form suitable for immediate consumption.
- Salads are commonly packaged in pails when supplied to industry (e.g., institutions, restaurants and food service establishments). These large containers of salads are commonly split open and smaller portions are then supplied to individuals. Salads of these large sizes are not commonly supplied to consumers. All salads in pails or similar large containers are taxable at 7%.
- Frozen salads (0 degree Celsius or lower in temperature) are zero-rated in all sizes. The fact that a fruit salad or any other salad contains a preservative has no bearing on its tax status when not frozen.
- Supplies of salads in non-durable containers (e.g., styrofoam containers) that are commonly packaged in the retail environment are generally considered to be salads and are taxable at 7%.
- The presence of flip-top lids on cans (common on some consumer packaging) does not affect the GST tax status of the salad. The size or type of container are the determinants.
- Supplies of mixtures of cut, prepared vegetables without a dressing are zero-rated when packaged or promoted as a salad. Examples include the supply of a mixture of cut cauliflower florets and cut broccoli florets or the supply of a mixture of cut carrots, cut celery and cut radishes.