

**Annex 6.10: List of GST/HST - Exempt Supplies  
(2003-12-13)**

**Exempt Supplies**

An exempt supply is not taxable. Thus, a supplier does not collect the Goods and Services Tax (GST), or the Harmonized Sales Tax (HST) on sales of exempt supplies. The supplier is not eligible for any input tax credits on purchases related to the exempt supply. As a result, the supplier passes on to the consumer the GST/HST that the supplier has paid, as part of the overhead. This is where exempt supplies differ from zero-rated supplies.

The following are exempt supplies.

1. Health and dental services. (Only services performed for medical or reconstructive purposes are exempt. Services performed for cosmetic reasons are not exempt.) This includes:
  - (a) hospital and nursing home services;
  - (b) medical devices prescribed by a medical practitioner;
  - (c) diagnostics, treatments and other health care services prescribed by a medical practitioner;
  - (d) ambulance services;
  - (e) nursing services;
  - (f) dental hygienist services.

(A medical practitioner is a person entitled under provincial law to perform a medical or dental service.)
2. Day care services for children less than 15 years old.
3. Personal care services in an institution for children or disabled or underprivileged persons.
4. Legal aid services. That is, the person receiving the services pays no GST/HST. The lawyer performing the service bills the legal aid plan and charges GST/HST.
5. Most educational services. This includes virtually everything associated with primary or secondary education, including tutoring. Most other educational services are exempt except those that are purely recreational in nature. University and college meal plans are also exempt.
6. Most supplies by charities and many supplies of a public service nature by public service bodies. These are exempt except for exclusions given in Schedule V, Part VI, section 2 of the *Excise Tax Act*. Example: The sale by a charity of property acquired for resale and any service in connection with it are not exempt (2(e)). Most universities in Canada are charities for the purposes of the GST/HST and therefore their supplies are generally exempt.
7. Most financial services provided in Canada.
8. Long-term residential rents and sales of used housing.

**Zero-Rated Supplies**

Zero-rated supplies are taxable supplies on which the tax rate is 0 percent. Persons involved in the production of zero-rated supplies can claim input tax credits on the supplies they use. This makes sure there is no GST/HST paid by the consumer.

The following are zero-rated supplies.

1. Goods and services supplied or to be supplied to a purchaser outside of Canada.

2. Basic groceries, except soft drinks, candies and confections and snack foods.
3. Agriculture and fisheries products, except the following:
  - (a) cut flowers, foliage or trees;
  - (b) bedding plants;
  - (c) sod;
  - (d) soil and soil additives;
  - (e) seeds, in quantity ordinarily sold or offered to consumers;
  - (f) natural fertilizer unless sold in bulk;
  - (g) wood;
  - (h) horses;
  - (i) wool other than in an unprocessed state;
  - (j) fur and animal hide.
4. Prescription drugs for human use, dispensed by a medical practitioner or on the prescriptions of a medical practitioner for the personal use of the recipient or a related individual.
5. Medical devices (includes replacement parts and charges for installation and repair).
6. International freight services. This includes freight outbound from Canada and freight into Canada from outside. Freight from one part of Canada to another is included if it is part of a continuous movement into or from Canada.

### **Non-taxable Imports**

Non-taxable under the GST/HST refers to certain imports listed in Schedule VII of the *Excise Tax Act*. No tax is paid on the importation of these supplies.

1. Certain goods which are exempt from customs duties, e.g. - foreign-based conveyances coming into Canada, settler's effects, foreign diplomat's effects, tourist's baggage, foreign purchases brought back by returning residents.
2. Prizes and trophies won abroad (other than merchantable goods, such as a car).
3. Tourist literature supplies by foreign governments or like organizations which is to be distributed for free.
4. Goods donated to charities.
5. Warranty replacement parts.
6. Zero-rated supplies in section 2 of Part I or in Parts II, III, IV, or VIII of Schedule VI of the *Excise Tax Act*.
7. Imported goods valued at under \$40 when delivered by mail or courier. This parallels current customs remission orders and like them does not cover alcohol, tobacco, etc.
8. Prescribed imports. Provision is made for granting relief from GST/HST on importation of goods by way of regulations of the Governor in Council.

### **Indians, Indian Bands and Band-empowered Entities**

Technical Information Bulletin B-039R *GST Administrative Policy - Application of GST to Indians*, sets out Canada Customs and Revenue Agency's (CCRA) guidelines concerning the treatment of purchases made by Indians, Indian bands and band-empowered entities (BEEs). The conditions described therein

must be satisfied for tax relief to apply (e.g., an Indian must present proof of registration under the *Indian Act* to a vendor in order to acquire property or services on reserve without the payment of GST/HST.

1. Generally, GST/HST does not apply to:
  - (a) goods acquired on reserve by Indians, Indian bands or BEEs;
  - (b) goods acquired off reserve by Indians, Indian bands or BEEs, where the supplier or the supplier's agent delivers the goods to the reserve;
  - (c) services performed totally on reserve where they are acquired by Indians ;
  - (d) services performed on or off reserve, such as legal or accounting services, where they are acquired by Indian bands or BEEs for band management activities or for real property on reserve (exception: Indian bands or BEEs pay GST/HST on off-reserve purchases of transportation, short-term accommodation, meals and entertainment and recover the GST/HST paid through a rebate mechanism if the purchases are for band management activities or for real property on reserve);
  - (e) services acquired by Indians for real property interests on a reserve.
2. Unincorporated Indian-owned businesses receive the same tax relief on the acquisition of property and services as that of their Indian owner. Indian-owned corporations are treated like all other businesses and are required to pay GST/HST on their purchases unless they qualify as BEEs and the conditions set out in B-039R are met.
3. Indian bands and BEEs (e.g., band-run schools and hospitals) may also be entitled to file the applicable Public Service Body Rebate to recover a partial rebate on any remaining GST/HST paid. Funding provided by Indian bands to non-profit organizations is the same as government funding to qualify for the 50 percent GST/HST rebate to non-profit organizations.

NOTE: Indian-owned businesses are required to collect and remit GST/HST on the supply of taxable goods and services to non Indians on or off a reserve.