



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

**Date:** 6/12/2008

**GAIN Report Number:** CA8043

## Canada

### Agricultural Situation

### GST/HST and How it Applies to Food/Agricultural Products

2008

**Approved by:**

Lisa Anderson  
U.S. Embassy

**Prepared by:**

Marilyn Bailey

---

**Report Highlights:**

1) The supply of basic groceries, which includes most foods and beverages marketed for human consumption is zero-rated, meaning that no GST/HST is charged or collected at the Canadian Border. 2) However, certain categories of foodstuffs, such as carbonated beverages, candies and confectionary and snack foods are taxable. 3) Freight charges for freight originating outside of Canada are not subject to GST, but freight charges for domestic shipments are. 4) A US exporter shipping food/agricultural product to which GST/HST applies is generally not required to obtain GST/HST registration unless they are making supplies of these goods in the course of conducting a business in Canada.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Trade Report  
Ottawa [CA1]  
[CA]

## Goods and Services Tax (GST)/Harmonized Sales Tax (HST) and How it Applies to Food/Agricultural Products

The Federal Goods and Services Tax (GST) is a multi-level [value-added tax](#) collected by the Canada Revenue Agency (CRA). As of January 1, 2008, the GST rate is 5% and applies to the supply of most goods and services in Canada. Three provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with GST to create HST. HST applies to the same base of goods and services as GST, but at a rate of 13%. Of this, 5% is the federal part and 8% is the provincial part.

### Exempt Products and Services

Certain specific products and services are exempt from GST. Examples of these products and services are:

- Most health, medical, and dental services performed by licensed physicians or dentists for medical reasons;
- Child-care services;
- Long-term residential accommodation;
- Most goods and services provided by charities.

For more information on GST exempted goods and services, visit the Canada Revenue Agency Web page on [GST-exempted and zero-rated supplies](#).

### Zero-rated Products and Services

Some goods and services are taxable at the rate of 0% (zero-rated). This means GST/HST is not charged on the sale or supply of these goods and services. Some common examples of zero-rated goods and services are:

- basic groceries such as milk, bread, and vegetables;
- agricultural products such as grain, raw wool;
- prescription drugs and drug-dispensing fees; and
- medical devices such as hearing aids and artificial teeth.

For the purposes of this document, the focus will be on food/agriculture items zero-rated or taxable at 5% GST or 13% HST as applicable.

### Basic Grocery/Food Items

The supply of basic groceries, which includes most supplies of food and beverages marketed for human consumption is zero-rated, meaning that no GST/HST is charged or collected. Examples of food and beverages that are zero-rated as basic groceries under this program include fresh, frozen, canned and vacuum sealed fruits and vegetables, breakfast cereals, most milk products, fresh meat, poultry and fish, and eggs and coffee beans.

Certain categories of foodstuffs however, such as carbonated beverages, candies and confectionery, and snack foods are taxable at 5% GST or 13% HST as applicable. If the tax status is in doubt, the CRA will consider the manner in which the product is displayed, labeled, packaged, invoiced and advertised to determine its tax status. Refer to Canada Revenue Agency, GST/HST Memoranda Series, Chapter 4.3 Basic Groceries, for more complete details regarding taxable and non-taxable food products (<http://www.cra-arc.gc.ca/E/pub/gm/4-3/4-3-e.pdf>)

### **Agriculture and Fishing Products**

Most suppliers of agricultural and fishing products are zero-rated. However, U.S. agriculture exporters, shipping such products as cut flowers, foliage, bedding plants, sod, living trees, firewood, fur and animal hides, feathers, down processed wool, maple-sugar candy, urine from pregnant mares; or suppliers of such services as harvesting provided to a farmer, stud or artificial insemination services; these, for example, are taxable at 5% GST or 13% HST as applicable. Refer to Canada Revenue Agency Memoranda 4.4 Agriculture and Fishing, for the tax status of agricultural and fishing supplies as they relate to the GST/HST. Website: <http://www.cra-arc.gc.ca/E/pub/gm/4-4/4-4-e.pdf>

### **Freight Charges**

Freight charges for all domestic shipments within Canada are subject to GST. In Canada, domestic industries are required to pay GST on the value of freight for shipments from Point A to Point B within Canada. Freight charges for freight originating outside Canada are not subject to GST. This is a Government of Canada policy so as to not confer a border tax from a domestic services tax policy.

### **How does the GST Affect U.S. Exporters?**

Who pays the GST/HST, the U.S. exporter or the Canadian importer?

GST/HST is collected by Canada Border Services Agency (CBSA) at the border from the importer of record. The importer of record is usually the Canadian importer but in some cases could be the U.S. exporter.

A U.S. exporter shipping food/agricultural product to which GST/HST applies is generally not required to obtain a GST/HST registration unless they are making supplies of these goods in the course of carrying on a business in Canada. Details on how to determine whether a non-resident person is carrying on business in Canada are outlined in the Canadian Revenue Agency document, "Doing Business in Canada – GST/HST, Information for Non-Residents".

Website: <http://www.cra-arc.gc.ca/E/pub/gp/rc4027/README.html>

For U.S. exporters wishing to register for GST/HST purposes, please refer to <http://www.cra-arc.gc.ca/E/pub/gm/2-5/2-5-e.html>

**Still Unclear?**

FAS/Canada strongly advises you work with a Customs Broker to export your goods into Canada for the first time. Customs Brokers are able to provide you with the best advice and information. For additional information on what services Customs Brokers can provide, please refer to the Canadian Society of Customs Brokers, telephone: 613-562-3543, web site: <http://www.cscb.ca>. A searchable list of members can be found at: [http://www.cscb.ca/040/md\\_e.asp](http://www.cscb.ca/040/md_e.asp).