



Medical and Assistive Devices and the GST/HST

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Purpose of Presentation

- Provide an overview of how the Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) applies to supplies of medical and assistive devices.
- Present the GST/HST Ruling and Interpretation Service.
- Discuss the role of Industry Specialist Service in the Compliance Programs Branch and some compliance issues.

Outline

- GST/HST Ruling and Interpretation Service
- GST/HST Technical Information
- Industry Specialist Service
- Compliance Issues
- Publications of Interest
- Getting Help After Today

GST/HST Interpretation Service

- Assists clients  GST/HST registrants and other interested persons  comply voluntarily with the law by providing information on how relevant provisions of the law affect their operations and transactions.
- Issues written rulings and interpretations as well as providing a telephone service and outreach activities.
- Service is free of charge.
- Technical publications: guides, pamphlets, memoranda, technical information bulletins, information sheets and policy statements.

GST/HST Technical Information

- General rule
- Zero-rated supplies
- Importations
- Zero-rated without conditions
- Zero-rated with conditions
- Zero-rated services
- Budget 2008
- Goods taxable at 5% or 13%

General Rule

- The GST/HST is imposed under Part IX of the *Excise Tax Act*.
- The GST is a tax that applies on most supplies of goods and services made in Canada at the rate of 5%.
- HST applies to supplies that take place in Nova Scotia, New Brunswick, and Newfoundland and Labrador. In other words, you pay HST instead of GST and the rate is 13%.

Zero-Rated Supplies

- Some goods and services are taxed at 0% - zero-rated supplies.
- Exceptions to the general rule that supplies are taxable at 5% or 13%.
- Schedule VI to the *Excise Tax Act* lists the zero-rated goods and services.
- Part II of Schedule VI lists certain supplies of medical and assistive devices that are zero-rated when supplied in Canada.

Importations

- Schedule VII to the *Excise Tax Act* allows many of the specially designed medical and assistive devices listed in Part II of Schedule VI to be imported on a non-taxable basis.
- Institutions, retailers, etc. pay the GST/HST on importations of medical devices where zero-rated status is conditional on a written order from a physician for use by a consumer named in the order just as if they had purchased these devices in Canada.

Zero-Rated Supplies

Two broad categories:

- Zero-rated without conditions
- Zero-rated with conditions:
 - Special design features
 - For use by an individual with a disability or particular impairment
 - Can be used in the residence of an individual

Zero-Rated Supplies

- Only when supplied on the written order of a physician for use by a consumer named in the order

Conditions for zero-rating may include one or more of the above.

- Devices with other potential uses are generally denied GST/HST relief.

Zero-Rated Without Conditions

- Mechanical percussor for postural drainage treatment
- Artificial eyes
- Artificial teeth
- Orthodontic appliances
- Laryngeal speaking-aids
- Portable wheelchair ramps
- Insulin infusion pumps and syringes
- Lancets
- Artificial limbs
- Blood-glucose monitors and meters

Zero-Rated With Conditions

Condition: Specially designed for use by an individual with a disability

- Precise term to ensure only devices made to address the specific medical conditions relating to a disability are zero-rated.
- “Specially” restricts “designed” to exclude general purpose goods from zero-rating.
- Relates to the intention of the original designer or manufacturer as to the ultimate use of the device as reflected in the qualities and features.

Zero-Rated With Conditions

(Continued)

- Extent to which the design is expressed in the device itself – features, qualities or capabilities not found in general purpose devices.
- Extent to which the advertising and marketing is directed towards individuals with a disability.
- Extent to which the device is used exclusively by individuals with a disability.

Zero-Rated Communication Device

Communication device for use by an individual with a hearing, speech or vision impairment.

- A mechanical or electronic apparatus used by an individual to transmit and receive information.
- Specially designed to compensate the particular incapability or limitations of individuals with a hearing, speech or vision impairment to enable interactive communication with other people.
- Qualities and features are unique to the needs of such individuals and compensate or alleviate barriers to daily communication flowing from the impairment.

Zero-Rated Communication Device - Examples

- Portable electronic telecommunication devices with capabilities for individuals with a hearing disability.
- Cochlear implants.
- Portable communication devices that enable people with a hearing or speech impairment to communicate with others over the telephone.
- Telecommunication devices for the deaf (TDDs) and text telephones (TTYs).
- Hand-held speech synthesizer devices and talk-back devices.
- Optical communicator.
- Talk board.

Zero-rated article for use of blind individuals

Article specially designed for the use of blind individuals is zero-rated when:

Supplied for the use of a blind individual

and

- Supplied to or by the Canadian National Institute for the Blind (CNIB) or other such bona fide institution for blind individuals;

or

- If supplied directly to consumers, on the order or certificate of a physician.

Zero-rated article for use of blind individuals - Examples

- Braille printer/embosser
- Braille translator
- Braille books
- Braille paper
- Clocks and watches that have Braille markings
- Games designed with Braille markings
- White canes

Zero-rated aids to locomotion for self-propelled mobility

- Chairs, wheelchairs, walkers, wheelchair lifts and similar aids to locomotion for self-propelled mobility:
 - Can be with or without wheels;
 - Also includes motive power and wheel assemblies;
- Must be specially designed to be operated by an individual with a disability for the locomotion of the individual.

Zero-Rated Devices with Conditions

- Devices that must be specially designed for use by an individual with a disability or a specific disorder or impairment:
 - Selector control devices to select, energize, or control household, industrial or office equipment;
 - Patterning device;
 - Toilet seat, bath seat, shower seat or commode chair;
 - Canes and crutches;
 - Incontinence products;
 - Reaching aids;
 - Prone boards.

Zero-Rated Devices with Conditions

(Continued)

- Artificial breathing apparatus for use by an individual with a respiratory disorder.
- Feeding utensils and gripping devices for use by an individual with impaired use of hands.
- Specially constructed appliance made to order for an individual who has a crippled or deformed foot or ankle.
- Medical or surgical prosthesis, ileostomy, colostomy or urinary appliance designed to be worn by an individual.

Other zero-rated devices with conditions

- Some supplies of specially designed devices have the additional requirement of the written order of a physician to be zero-rated:
 - Heart-monitoring device for use by a consumer with heart disease named in the order.
 - Hospital bed for use by an incapacitated individual named in the order.
 - Aerosol chamber or metered dose inhaler for use in the treatment of asthma for use by a consumer named in the order.

Other zero-rated devices with conditions

(Continued)

- Device designed to convert sound to light signals for use by a consumer with a hearing impairment who is named in the order.
- Eyeglasses and contact lenses for the treatment or correction of a defect of vision of a consumer named in the order – in this case, an eye-care professional is one who may legally prescribe such eyeglasses/lenses and not necessarily a physician.

Other zero-rated devices with conditions

(Continued)

- Extremity pump or intermittent pressure pump for use in the treatment of lymphedema for use by a consumer named in the order.
- Catheter for subcutaneous injections for use by a consumer named in the order.
- Orthotic or orthopaedic device for use by a consumer named in the order OR made to order for an individual.

Other zero-rated devices with conditions

(Continued)

- Graduated compression stocking or anti-embolic stocking for use by a consumer named in the order.
- Specially designed clothing for use by an individual with a disability when supplied for use by a consumer named in the order.
- Specially designed footwear for use by an individual with a crippled or deformed foot named in the order.

Zero-rated devices with conditions

- Respiratory monitor, nebulizer, tracheostomy supply, gastro-intestinal tube, dialysis machine, infusion pump, intravenous apparatus that can be used in the residence of an individual.
- Auxiliary driving control designed for attachment to a motor vehicle to enable the operation of that vehicle by an individual with a physical disability.
- Wheelchair ramp specially designed for access to a motor vehicle.

Zero-rated devices with conditions

- Hospital beds when supplied to the operator of a hospital or nursing home.
- Patient lifter specially designed to move an individual with a disability.
- Parts, accessories or attachments specially designed for a zero-rated medical or assistive device.

Zero-Rated Services

- Services of installing, maintaining, restoring, repairing or modifying a device where the supply of that device is zero-rated
- Would include, for example, a contract for maintenance services for a home use dialysis machine
- Service of modifying a motor vehicle for the transportation of an individual using a wheelchair
- Does not include warranties or insurance

Budget 2008

3 Primary Purposes:

- To emphasize the requirement that zero-rated devices must focus on the individual's particular needs as result of a disability, disorder or impairment such that an individual is able to perform day-to-day functions.
- To clarify certain sections in Part II/Schedule VI.
- To add certain devices as well as service animals to the zero-rating provisions.

Budget 2008

Effective February 27, 2008

Extended zero-rated status to the following devices:

- Chest wall oscillation system for airway clearance therapy – no conditions.
- Chairs that are specially designed for use by an individual with a disability, when supplied on the written order of a physician for use by a consumer named in the order.

Budget 2008

- Service animals specially trained to assist an individual with a disability or impairment when supplied to or by an organization operated for the purpose of supplying such specialty trained animals.
- Specially designed neuromuscular stimulation therapy and standing therapy devices when supplied on the written order of a physician for use by a consumer with paralysis or a severe mobility impairment who is named in the order.

Goods taxable at 5% or 13%

- Therapeutic massagers
- Oxygen tents
- Bed pans and urinals
- Blood pressure monitors
- Grab bars
- Medical, surgical and dental instruments and other equipment used by health care professionals to treat patients
- Heating pads
- Masking sound products for Tinnitus

Goods taxable at 5% or 13%

- Electronic stimulation devices, e.g., electric muscle stimulator (EMS) and Transcutaneous Electro Neuro Stimulator (TENS) machines used to relieve pain such as that from a pinched nerve
- Exercise devices for rehabilitative therapy such as exercise stairs, therapy weights, treadmills, hand exercisers
- Extended care beds and adjustable mattresses
- Operating tables and stretchers
- Medical dressing aids – bandages, rubbing alcohol, medical tape

Goods taxable at 5% or 13%

- Alarm and alerting systems, including smoke detectors, home security, and medical monitoring systems
- Time measuring devices, including vibrating watches and alarm clocks
- Pillow vibrating devices and bed shaker devices
- Amplified telephone ringers
- Listening systems, headphones, and sound amplifier systems
- Vision aids such as magnifiers that are multi-purpose items

Overview: Industry Specialist Service

- **The role of Industry Specialist Services**
- **Competition and tax problems**
- **Key words and phrases**
- **Avoiding assessments**
- **Co-operation going forward**

Industry Specialist Services Compliance Programs Branch

- **Our approach to risk assessment**
- **Your window to CRA**
- **Our role with associations**
- **Our role with Audit Programs**

Competition and Tax Concerns

- Leads from vendors of zero-rated goods
- Impact of a CRA audit
- The “default” rule
- Illustration: orthopaedic shoes
- A level playing field

Key Limiting Words and Phrases

- **“Medical Practitioner” – a physician**
- **“For use by a consumer named in the order”**
- **“Specially designed”**
- **“For use by an individual”**
- **“With a disability”**
- **“Human use”**

Avoiding Assessments

- **The importance of a ruling**
- **Substantiation**
- **Internal controls**
- **Creating a level playing field**

Co-operation Going Forward

- **Creating a long term relationship**
- **The role of the CADA**
- **Facilitating ongoing communication**
- **Our need for clarification**

Publications of Interest

- Excise and GST/HST News
- Medical and Disability-Related Information
- GST/HST Memoranda Series:
 - 1.2 Canada Revenue Agency GST/HST Rulings Centres
 - 1.4 Excise and GST/HST Rulings and Interpretations Service
 - 4.2 Medical and Assistive Devices

Getting Help After Today

- Rulings Centres across Canada (except in Québec) provide our GST/HST Rulings and Interpretations Service.
- Revenu Québec administers the GST in the province of Québec.
- Request a ruling or interpretation in writing on how the GST/HST applies to your supplies - we will provide guidance about the application of the GST/HST.

Contact GST/HST Rulings at:

1-800-959-8287 – English

1-800-959-8296 – French

1-800-465-5770 – TTY

1-800-567-4692 - Québec

www.cra-arc.gc.ca