

HST IN THE CLINIC

In July 2010, Ontario implemented a major tax reform that harmonized the provincial sales tax (PST) with the federal GST under one single value added tax system called the harmonized sales tax (HST) at 13%. Most goods and services in or imported into Canada are subject to GST/HST. **It is important for business operators to know which goods and services are taxable and which are exempt.**

Does the HST Apply to Health Care Services?

Under the HST system, the services of some health care professionals are taxable and the services of others are exempt. The list of health care professionals whose services are exempt from GST/HST can be found in Part II of Schedule V to the Excise Tax Act (the ETA). If you provide only exempt goods and services, you cannot register for a GST/HST account.

The following is a partial list of health care professionals whose services are listed as exempt: chiropractors, chiropodists, dieticians, podiatrists, physiotherapists, registered nurses, registered nursing assistants and licensed or registered practical nurses.

If a health care professional is not listed in Part II of Schedule V to the ETA, the services that they provide are usually taxable. The following is a partial list of therapists or health care workers whose services are generally considered by the Canada Revenue Agency (CRA) to be taxable for GST/HST purposes: acupuncturists, health care assistants (including physiotherapy and occupational therapy assistants), kinesiologists, massage therapists, naturopaths and sports therapists.

Does the HST Apply to Health Care Supplies?

Most supplies are taxable. Certain supplies are exempt from GST/HST while others are zero-rated.

Zero-rated supplies are taxable at the rate of 0%. No GST/HST is charged on them, but GST/HST registrants can claim an input tax credit for the GST/HST they pay on purchases and expenses made to provide them. Zero-rated medical supplies count towards your total worldwide taxable supplies of goods and services.

Custom-made orthotic and orthopaedic devices are one example of a zero-rated supply. If these devices are **not entirely** custom-made, they are zero-rated only when prescribed by a medical practitioner. See the CRA's GST/HST Memoranda Series Chapter 4-2, Medical and Assistive Devices for more information.

Do I Need to Apply for a GST/HST Account?

It is mandatory for businesses (except public service bodies) to register for a GST/HST account if your total worldwide taxable supplies of goods and services exceed \$30,000 in a single calendar quarter or in four consecutive calendar quarters. This includes zero-rated supplies like custom-made orthotics and orthopaedic devices.

The following are general examples of products and services commonly supplied in a chiropractic practice which count towards a clinic's total worldwide taxable supplies of goods and services:

- massage therapy clinical service provided to patients by a chiropractor or any other non-medical practitioner,
- fees for non-clinical services (e.g., medical-legal reports, return to work/school notes, copying of clinical records),
- fees paid by an associate for the use of the principal's facilities or administrative services (we strongly urge you to consult with your legal or tax adviser regarding your specific situation),
- sale of most dietary supplements (except those which count as basic groceries and are therefore exempt), and,
- sale of most orthotics, cervical pillows, and other orthopaedic supports.

Businesses which only provide exempt goods and services **cannot**:

- register for GST/HST,
- charge GST/HST, or,
- claim input tax credits (ITCs).

In general, businesses with GST/HST taxable sales of \$30,000 or less in the last year ("Small Suppliers") are not required to register and collect the tax.

If you are already registered but taxable sales are \$30,000 or less, you still

need to charge, collect and remit GST/HST on **all** taxable (except zero-rated) goods and services you sell or provide in Canada since the date of registration. Ensure that you hold the GST/HST in trust until you send it to the CRA for filing your GST/HST return.

What is an Input Tax Credit?

An input tax credit (ITC) is the amount of GST/HST you may recover from the GST/HST you paid or owed on purchases and expenses related to your commercial activities, so long as you are a GST/HST registrant.

The ITCs can be claimed in the same reporting period as when the purchases were made when you file your GST/HST return. If you have any ITCs that were not claimed when you filed the return for the corresponding period, you can claim those ITCs on a future GST/HST return as long as it is filed by the due date of the return for the last reporting period that ends within four years after the end of the reporting period in which the ITC could have first been claimed.

What if I No Longer Qualify? Can I Deregister?

If you decide to deregister for HST, you can request to cancel your registration so long as you have been registered for at least one year (unless your business has already stopped supplying taxable goods and services and no longer needs to be registered for the GST/HST). However, you may have to remit GST/HST on capital property used in your commercial activities, and on other property you own when you cancel your registration.

When you cancel your registration, you will have to file all GST/HST returns and remit any GST/HST that was charged or collected while you were a registrant. To cancel your registration, you can call

1-800-959-5525, send the CRA a letter or a completed "Form RC145, Request to Close Business Number (BN) Program Accounts."

How Often Do I Need to File?

Typically your total annual sales determine how many times in a year you have to file your GST/HST return. Businesses which have annual taxable supplies of \$1,500,000 or less are assigned an annual reporting period but may also choose to file monthly or quarterly.

If you are a monthly or quarterly filer, you have to file your GST/HST return and pay the amount owed no later than one month after the end of your reporting period. If you are an annual filer, generally you have to file your GST/HST return and pay the amount owed no later than three months after the end of the fiscal year. If you are an individual with business income for income tax purposes who is also an annual filer with a December 31 fiscal year-end, you have to file by June 15. However, you still have to pay the amount of GST/HST owed by April 30 to avoid penalties and interest.

More Information

There are many exemptions to these rules set by the CRA. If you are unsure whether you need to charge GST/HST on the services and supplies provided in your clinic(s), you can contact SRJ Chartered

Accountants or the CRA for confirmation when interpreting the rules on charging GST/HST for their specific services.

SRJ Chartered Accountants

- Telephone: 647-725-2537
- Email: info@srjca.com
- Website: <http://www.srjca.com>
- OCA Advantages partner profile: <http://www.chiropractic.on.ca/srjca>

Canada Revenue Agency

- Tax information phone service: 1-800-267-6999
- Businesses and self-employed individuals: 1-800-959-5525
- Website: <http://www.cra-arc.gc.ca/>

Please note that this article is not a legal document. It is provided as a general overview and is not to be treated as legal or tax advice or relied on as the basis for any decision-making with regards to your practice. OCA members are strongly encouraged to seek independent advice from their legal or tax advisers regarding the application of HST to their practice.

The OCA would like to thank Rishabh Khamesra and Kevin Fok of SRJ Chartered Accountants for their assistance in the preparation of this document. SRJCA is a full service chartered accounting firm and an OCA Advantages Partner.

ON DEMAND WEBINAR



HST: WHAT THE ONTARIO CHIROPRACTOR NEEDS TO KNOW

Financial Management

Tune into this webinar to sort through the nitty-gritty details of HST and chiropractic services and products.