

## **How to obtain an HST refund and avoid an HST audit**

As a Chiropractor in Ontario there are many issues related to GST/HST which have arisen in the past few years. Fortunately chiropractic services are exempt from this GST/HST in Ontario but that doesn't mean we can ignore the tax altogether. This is increasingly important for owners of multidisciplinary clinics who offer numerous treatments such as massage therapy and/or acupuncture.

For HST purposes, there are three different types of sales which dictate whether or not you have to register and collect HST. Based on the type of sales you offer, this will also determine whether you can claim input tax credits (ITC's). ITC's refer to the HST paid on your business expenses (ie. the 13% you pay on your accounting fees). For those practices that are registered, it is possible for certain practitioners to claim all the HST they have paid during the year in the form of a refund.

### **Types of Sales**

There are three types of sales under the GST regulations: exempt, zero-rated, and taxable, with taxable being the most common. On exempt sales, tax is not charged and therefore no input tax credits (ITCs) are allowed – this is typical for most chiropractors. On zero-rated sales, tax is charged at zero percent and input tax credits are allowed. On taxable sales, tax is charged and input tax credits are allowed – this will apply to chiropractors who offer other health-care services in their clinics such as massage therapy.

### **Do I have to register for GST/HST?**

In most cases, you will not have to register for GST/HST since chiropractic services are typically GST/HST exempt. However, if you offer other health-care services (see list below for taxable services), then you will have to register for HST once your total taxable sales (non-chiro services) exceeds \$30,000 over any given 12 month period. The CRA will be closely monitoring those in the health care industry in the upcoming years; therefore it is important to identify if you have to register for HST as this can help you avoid a costly audit.

If your clinic offers other health care services which are taxable services, there is a benefit to your business by registering early. Once you start collecting HST on taxable services, you can also obtain a refund for HST that you have paid on your business expenses. You will get a refund for every dollar spent towards HST on your tax deductible business expenses.

We have compiled a list below to help you assess which services in your clinic are subject to GST/HST and which services are exempt:

### **Health Care Service Providers That Provide Exempt Health Care Services**

Services provided by the following provincially regulated (licensed or otherwise certified) health care professionals rendered to individuals/patients are specifically identified as exempt:

- physicians;
- dentists and orthodontists;
- registered nurses, registered nursing assistants, licensed or registered practical nurses;
- registered psychiatric nurses;
- optometrists;

- chiropractors;
- physiotherapists;
- chiropodists;
- audiologists;
- speech-language pathologists;
- occupational therapists;
- psychologists;
- podiatrists;
- midwives;
- dieticians;
- social workers; and
- dental hygienists.

Please note: this is not an exhaustive list

**Health Care Service Providers That Provide Taxable Health Care Services**

Examples of therapists and other health care workers whose services are generally considered by the CRA to be taxable for GST/HST purposes are:

- assistance such as physiotherapy and occupational therapy assistants;
- social service workers (this is a separate profession from social workers);
- laboratory technicians;
- nursing care aides;
- polysomnographic technologists;
- acupuncturists;
- kinesiologists;
- massage therapists;
- naturopaths;
- reflexologists;
- homeopaths;
- reiki therapists;
- sports therapists;
- rolfing therapists;
- traditional Chinese medicine providers;
- phlebotomists;
- personal support workers.

Please note: this is not an exhaustive list

There are many other exemptions to the general rule. Therefore, if you are not certain whether you are required to charge GST/HST please contact one of the tax partners at our firm for more information.

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