



GST Memoranda

Notice to the reader:

Please note that the following GST Memorandum, although correct at the time of issue, has not been updated to reflect any subsequent legislative changes since the date of issue. As a result, some of the technical information this memorandum contains may no longer be valid. Please contact your GST/HST Rulings Centre for assistance.

G300-4-2 Health Care Services (GST 300-4-2)

GST 300-4-2

TAX ON SUPPLIES EXEMPT SUPPLIES HEALTH CARE SERVICES

Ottawa, November 17, 1993

This memorandum does not replace the law found in the *Excise Tax Act* and its Regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate Regulation or contact any Revenue Canada Excise/GST district office for additional information. If you are located in the Province of Quebec, please contact the ministère du Revenu du Québec (MRQ) for additional information.

This memorandum reflects amendments proposed to the *Excise Tax Act* contained in the Notice of Ways and Means Motion which the Minister of Finance tabled in Parliament on March 30, 1993. [Where the information provided in this memorandum reflects proposed amendments, the information is enclosed in square brackets.] At the time of publication, Parliament had not enacted these proposed amendments. Any commentary in this memorandum should not be taken as a statement by the Department that such amendments will in fact be enacted into law in their current form.

This memorandum explains what health care services are and provides detailed information on health care services that are exempt under the Excise Tax Act.

NOTE: Significant changes to this memorandum have been side- barred for quick reference.

Definitions and interpretations to explain specific terms are provided at the end of this memorandum.

LEGISLATIVE AND OTHER REFERENCES

Excise Tax Act - subsection 123(1), Schedule V, Part II, Health Care Services

Health Care Services (GST) Regulations

Canada Health Act

Notice of Ways and Means Motion tabled on March 30, 1993

TABLE OF CONTENTS

Exempt Supplies of Health Care Services
Services Provided by Medical Practitioners and Practitioners
Institutional Health Care Services
Cosmetic Surgery for Medical or Reconstructive Purposes
Nursing Services
Dental Hygienist Services
Provincially Insured Property or Services
Comparable Health Care Services
Psychoanalytic Services
Homemaker Services
Medical Equipment Leases
Ambulance Services

Administrative Procedures
Billings to Third Parties
Management Corporations
Locums and Associates

Definitions and Interpretations

EXEMPT SUPPLIES OF HEALTH CARE SERVICES

1. Under Part II of Schedule V to the Act, supplies of many health care services are exempt. In general terms, health care services have to promote physical and mental health, and the protection against disease. These services must be performed by health care professionals who are entitled to provide the health care services listed below.

Services Provided by Medical Practitioners and Practitioners

2. A supply of a prescribed diagnostic, treatment or other health care service (e.g., a laboratory testing service) when made on the order of a medical practitioner or practitioner is exempt.

3. A supply made by a medical practitioner of a consultative, diagnostic, treatment or other health care service rendered to an individual (other than a surgical or dental service that is performed for cosmetic purposes and not for medical or reconstructive purposes) is exempt.

4. A supply of any of the following services when rendered to an individual, where the supply is made by a practitioner of the service, is exempt:

- (a) optometric services;
- (b) chiropractic services;
- (c) physiotherapy services;
- (d) chiropodic services;
- (e) podiatric services;
- (f) osteopathic services;
- (g) audiological services;
- (h) speech-therapy services;
- (i) occupational therapy services; and
- (j) psychological services when provided by a practitioner who is registered in the Canadian Register of Health Service Providers in Psychology.

5. Only health care services that promote physical and mental health and protection against disease are exempt; other professional services provided by medical practitioners and practitioners (e.g., witness fees for court appearances) are taxable unless exempted by some other provision of the Act. For example, when such supplies are made by hospital authorities that are also charities, the supplies are likely to be exempted by virtue of section 2 of Part VI of Schedule V.

Institutional Health Care Services

6. Institutional health care services made by the operator of a health care facility to a patient or resident of the facility are exempt. [When a medical or prosthesis is installed in a health care facility in conjunction with an exempt institutional health care service, the supply of the prosthesis is also exempt. For example, when medical treatment in a hospital involves the installation of a prosthesis such as an artificial hip, the supply of the prosthesis by the hospital is exempt.] Exempt institutional health care services do not include medical or dental services performed for purely cosmetic purposes.

7. A supply of food and beverages, including the services of a caterer, made to an operator of a health care facility under a contract to provide, on a regular basis, meals for the patients or residents of the facility is exempt.

8. Fees charged by health care facilities to their patients or residents to cover accommodation and other institutional health care services are exempt. However, separate charges for other services, provided on a commercial basis by these facilities, that are not health related (e.g., parking and meals served in a cafeteria to visitors), are taxable.

9. The definition of "health care facility" under Part II (Health Care Services) of Schedule V to the Act includes a facility operated for the purpose of providing residents of the facility who have limited physical or mental capacity for self-supervision and self-care with:

- (a) nursing and personal care under the direction or supervision of qualified medical and nursing care staff or other personal and supervisory care (other than domestic services of an ordinary household nature);
- (b) assistance with the activities of daily living and social, recreational and other related services to meet the psycho-social needs of residents; and
- (c) meals and accommodation.

Cosmetic Surgery for Medical or Reconstructive Purposes

10. Surgical and dental procedures that alter or enhance a patient's appearance but have no medical or reconstructive purpose, are considered to be cosmetic surgery and, generally, are taxable. Refer to paragraph 6 of this memorandum for more information on this subject.

11. However, cosmetic surgery that is performed for medical or reconstructive reasons is exempt. An example of this type of surgery is skin grafting performed on a burn victim.

12. In certain circumstances, provincial and territorial health insurance plans consider cosmetic surgery to be medically necessary and therefore an insured service. In these cases, the service is exempt. Such surgery is usually evaluated on a case-by-case basis. The criteria for finding cosmetic surgery to be medically necessary include:

- (a) the surgery is to alter a significant defect in appearance caused by disease, trauma, or congenital deformity; and
- (b) it is recommended by a mental health facility, or
- (c) the patient is less than eighteen years of age and the defect is in an area of the body which normally and usually would not be clothed.

Nursing Services

13. A supply of a nursing service provided by a registered nurse, a registered nursing assistant or a licensed practical nurse is exempt where:

- (a) the service is provided to an individual in a health care facility or in the individual's place of residence;
- (b) the service is a private-duty nursing service; or
- (c) the supply is made to a public sector body (for example, a school authority, a hospital authority or a municipality).

14. Nurses may provide their services directly to patients or they may be hired by employment agencies who specialize in the provision of health care providers. In either case, the charge for their services is exempt.

Dental Hygienist Services

15. A supply of a dental hygienist service is exempt regardless of whether the hygienist is self-employed or is an employee of a management corporation or a medical practitioner.

Provincially Insured Property or Services

16. Supplies of any property or services that are insured by a province or territory under its health care plan are exempt to the extent that the amount charged for the supplies of property or services are paid or reimbursed by the provincial or territorial health insurance plan. [A supply of property or service (e.g., the sale and dispensing of prescription drugs by a pharmacist) retains its zero-rated status even though it is covered by a provincial health care plan.]

17. Since health care services are not the responsibility of the federal government, the property and services included in this provision will vary according to the provisions of each provincial or territorial health insurance plan.

Comparable Health Care Services

18. Some health care services are not covered by provincial or territorial health insurance plans and are performed outside health care facilities. *Under the Health Care Services (GST) Regulations*, the following services are considered to be tax-exempt if they are similar to services carried out in health care facilities and are prescribed by medical practitioners or practitioners:

- (a) laboratory, radiological or other diagnostic services which are comparable to services provided in a health care facility; and
- (b) the administration of drugs, biologicals or related preparations in conjunction with the provision of services included in paragraph (a).

19. This provision allows services such as x-ray, mammography, fluoroscopy, and a variety of other health care diagnostic procedures which are done by private companies to receive GST exemption consistent with services supplied in health care facilities.

Psychoanalytic Services

20. A supply of a psychoanalytic service made by a person who has received the same training in the provision of psychoanalytic services from the same training institute as medical practitioners who provide psychoanalytic services, and who is a member in good standing of the Canadian Psychoanalytic Society, is exempt.

Homemaker Services

21. [As of January 1, 1991, the legislation exempted a supply of a homemaker service provided to an individual in his or her place of residence, if the supply was made by a government or municipality, or by a non-profit organization that received an amount paid by a government or municipality in respect of the supply. For supplies for which consideration became due after March 1991 and for which no part was paid prior to April 1991, the legislation provides that homemaker services supplied by for-profit organizations may qualify as exempt services provided the organization receives an amount from a government, municipality or organization administering a government or municipal program in respect of homemaker services.

22. Effective January 1, 1993, for supplies where the consideration became due after 1992, the legislation also exempts a supply of a homemaker service that is paid for by a person, if the person is subsequently reimbursed by a government, a municipality or an organization administering a government or municipal program in respect of homemaker services. In addition, it expands the exemption to include supplies of unsubsidized homemaker services if the individual to whom the service is rendered is also receiving subsidized homemaker services. Supplies of homemaker services by registered charities are also exempt.]

Medical Equipment Leases

23. A supply made by the operator of a health care facility by way of lease of medical equipment or supplies to a consumer on the written order of a medical practitioner is exempt.

Ambulance Services

24. A supply of an ambulance service (including an air ambulance service) made by a person who carries on the business of supplying ambulance services is exempt.

ADMINISTRATIVE PROCEDURES

GST/HST Policy Statement P-238, [Application of the GST/HST to Payments Made Between Parties Within a Medical Practice Organization](#) replaces and supersedes paragraphs 25 to 33, entitled "Administrative Procedures".

DEFINITIONS AND INTERPRETATIONS

The following are either definitions which have been taken from the *Excise Tax Act* or represent departmental interpretations of terms relevant to the administration of that Act.

"Act" means the *Excise Tax Act* as amended by S.C. 1993, c. 27 (Bill C-112);

"exempt supply" means a supply included in Schedule V to the Act;

"health care facility" means

- (a) a facility, or a part thereof, operated for the purpose of providing medical or hospital care, including acute, rehabilitative or chronic care,
- (b) a hospital or institution primarily for the mentally disordered, or
- (c) a facility, or a part thereof, operated for the purpose of providing residents of the facility who have limited physical or mental capacity for self-supervision and self-care with

- (i) nursing and personal care under the direction or supervision of qualified medical and nursing care staff or other personal and supervisory care (other than domestic services of an ordinary household nature) according to the individual requirements of the residents,
- (ii) assistance with the activities of daily living and social, recreational and other related services to meet the psycho-social needs of residents, and
- (iii) meals and accommodation;

"hospital authority" means an organization or that part of an organization that operates a public hospital and that is designated by the Minister as a hospital authority for purposes of Part IX of the Act;

"institutional health care service" means any of the following when provided in a health care facility:

- (a) laboratory, radiological or other diagnostic services,
- [(b) drugs, biologicals or related preparations or a medical or surgical prosthesis when administered or installed in the facility in conjunction with the supply of a service included in any of paragraphs (a) and (c) to (g),]
- (c) the use of operating rooms, case rooms or anaesthetic facilities, including necessary equipment or supplies,
- (d) medical or surgical equipment or supplies
- (i) used by the operator of the facility in providing a service included in any of paragraphs (a) to (c) and (e) to (g), or
- (ii) supplied to a patient or resident of the facility otherwise than by way of sale,
- (e) the use of radiotherapy, physiotherapy or occupational therapy facilities,
- (f) accommodation,
- (g) meals (other than meals served in a restaurant, cafeteria or similar eating establishment), and
- (h) services rendered by persons who receive remuneration therefor from the operator of the facility;

"**insured person**" has the same meaning as in the *Canada Health Act*;

"**medical practitioner**" means a person who is entitled under the laws of a province to practise the profession of medicine or dentistry;

"**practitioner**", in respect of a supply of optometric, chiropractic, physiotherapy, chiropodic, podiatric, osteopathic, audiological, speech-therapy, occupational therapy, or psychological services, means a person who

- (a) is licensed or otherwise certified to practise the profession of optometry, chiropractic, physiotherapy, chiropody, podiatry, osteopathy, audiology, speech- therapy, occupational therapy or psychology in the province in which the service is supplied, or
- (b) where the person is not required to be licensed or otherwise certified to practise the profession of the person in the province in which the service is supplied, has the qualifications equivalent to those necessary to be so licensed or otherwise certified in another province, and
- (c) in respect of the supply of psychological services, is registered in the Canadian Register of Health Service Providers in Psychology,

and practises the profession of optometry, chiropractic, physiotherapy, chiropody, podiatry, osteopathy, audiology, speech-therapy, occupational therapy, or psychology, as the case may be;

"**public sector body**" means a government or a public service body;

"**public service body**" means a non-profit organization, a charity, a municipality, a school authority, a hospital authority, a public college or a university;

"**tax**" means the Goods and Services Tax payable under Part IX of the Act.

REFERENCES

OFFICE OF RESPONSIBILITY: Policy and Legislation

LEGISLATIVE REFERENCES: *Excise Tax Act* as amended by S.C. 1993, c. 27 (Bill C-112)

HEADQUARTERS FILE: N/A

SUPERSEDES GST MEMORANDUM: GST 300-4-2, dated May 31, 1991

OTHER REFERENCES: N/A

SERVICES PROVIDED BY THE DEPARTMENT ARE AVAILABLE IN BOTH OFFICIAL LANGUAGES.

THIS MEMORANDUM IS ISSUED BY TECHNICAL INFORMATION, EXCISE/GST BRANCH UNDER THE AUTHORITY OF THE DEPUTY MINISTER OF NATIONAL REVENUE, CUSTOMS, EXCISE AND TAXATION.

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[Top of Page](#)

[Important Notices](#)