



Fishing Equipment and Products

This info sheet describes zero-rated equipment and products relating to fishing activities for purposes of the goods and services tax/harmonized sales tax (GST/HST).

In this publication, “taxable” means subject to the GST at 5% or the HST at 13%. “Zero-rated” means subject to the GST/HST at the rate of 0%.

The supply of certain equipment and products relating to fishing activities is zero-rated. For more information on fishing activities, refer to GST/HST Memorandum 4.4, *Agriculture and Fishing*, and the *Agriculture and Fishing Property (GST/HST) Regulations* (the Regulations).

Fishing products

Two categories of fishing products are zero-rated under the *Excise Tax Act* (the Act):

- fish or other marine or freshwater animals; and
- fish eggs.

Fish and marine animals

The supply of fish or other marine or freshwater animals is zero-rated, provided they are not processed further than frozen, salted, smoked, dried, scaled, eviscerated, or filleted. Any such animal that is not ordinarily used as food for human consumption or that is sold as bait for use in recreational fishing is excluded from this zero-rating provision, and therefore is taxable. For example, minnows which are typically used as bait in recreational fishing are taxable.

Fish eggs

Fish eggs are zero-rated provided they are to be used for hatching purposes.

In some cases, it is necessary to look beyond a particular provision because a product that is not zero-rated under one provision may be zero-rated under another provision of the Act.

Example

ABC Fish Hatchery Inc. operates a commercial shellfish hatchery that raises oysters, scallops, clams, and quahogs. Some of the shellfish seed is sold to other aquaculturists.

Shellfish seed is not considered an egg. It is more correctly classified as “spat” which is the spawn of a shellfish. Shellfish seed is a viable independent life form that takes approximately three years to fully mature.

Since it is not an egg, shellfish seed is not zero-rated as a fish egg. However, since shellfish seed is an independent life form, it is considered to be a marine or freshwater animal, and therefore is zero-rated as a marine animal.

Fishing equipment

Three categories of fishing equipment are zero-rated under the Act:

- fishing vessels;
- fishing nets and related items; and
- other equipment.

With the exception of fishing vessels, which are conditionally zero-rated, all fishing equipment listed in the Regulations is unconditionally zero-rated; that is, any person may purchase these items on a zero-rated basis.

Fishing vessels

The purchase or importation of a fishing vessel is zero-rated only when the vessel is for use by the person in commercial fishing. Fishing vessels acquired for recreational use are taxable.

The sale of a fishing vessel will be zero-rated when the purchaser provides the vendor, at the time of the sale (or, in the case of an importation, the Canada Border Services Agency office from which the vessel is released at the time of accounting for the vessel), with the information specified in the Regulations. This information must include:

- the registration number (business number) assigned to the person for GST/HST purposes;
- a declaration signed by the person that the vessel will be used in commercial fishing;
- the number of a commercial fishing licence of the person, namely;
 - in the case of commercial fishing on the Pacific coast of Canada, a licence that was issued to the person, or that was issued in respect of the vessel, by the Department of Fisheries and Oceans (DFO) and that is not a Category D, P or Z licence;
 - in the case of commercial fishing on the Atlantic coast of Canada, a licence that was issued to the person by the DFO and that is not a licence to harvest marine plants or to fish for mussels, oysters, shark, smelt, or squid;
 - in the case of inland fishery, a commercial fishing licence that was issued to the person by the government of a province; and
 - in the case of commercial fishing in the Yukon Territory or Northwest Territories, any commercial fishing licence that was issued to the person by the DFO; and
- in the case of commercial fishing on the Atlantic coast of Canada, the number set out in the registration card issued in respect of the vessel by the DFO.

As noted above, in the case of commercial fishing on the Atlantic coast of Canada, the person must provide both the number of the licence that was issued to the person and the number of the registration card issued in respect of the vessel.

In the case of commercial fishing on the Pacific coast of Canada, the person must provide the number of the licence that was issued to the person, or that was issued in respect of the vessel.

Example

The DFO issues a commercial fishing licence to an individual fisher for commercial fishing on the Atlantic coast of Canada. The fisher incorporates his fishing business and the corporation (a separate person) purchases a fishing vessel. The DFO issues a registration card in respect of the vessel.

As the purchaser of the fishing vessel is a corporation that does not hold a commercial fishing licence in the name of the corporation, the requirements are not met, and therefore the purchase of the fishing vessel will not be zero-rated.

Aquaculture

Aquaculture is the farming of aquatic organisms in marine or fresh water to produce food for human consumption. Aquaculture licences are commercial fishing licences, and a person with an aquaculture licence may purchase a fishing vessel on a zero-rated basis if the requirements noted above are met.

Bare hulls

An unfinished hull, although not a complete vessel in the traditional sense, may be sold on a zero-rated basis, if the requirements noted above are met. However, when a supplier installs the mechanics, the electronics, the decking and the gear on a bare hull that is not the supplier's property, this installation service will be taxable.

Example

CorpA manufactures a bare hull for a fisher. Once the hull is complete, the fisher is given ownership (legal title) of the hull. CorpA makes arrangements on the fisher's behalf to deliver the hull to CorpB, where CorpB will complete the guilding of the vessel (i.e., installation of mechanics, decking, electronics and gear).

Since the hull is not the property of CorpB at the time of the completion of the vessel, CorpB is providing a service of installation to the fisher, and therefore its service is taxable.

Accessories

When zero-rated fishing equipment is sold together with any accessories that are normally taxable, these accessories will be zero-rated, provided they are attached to the zero-rated fishing equipment and form part of the unit. Any accessory sold in these instances must already be installed at the time of sale.

When accessories are not sold together with zero-rated equipment, these accessories will not be treated as part of the zero-rated equipment, and therefore will be taxable.

Example

A commercial fishing vessel that meets all the requirements to be zero-rated is sold together with a propane stove. The propane stove was installed in the vessel before the sale. The vessel and the propane stove are sold as a complete unit.

In this case, the propane stove is considered to form part of the commercial fishing vessel, and therefore is zero-rated.

Fishing nets and related items

The fishing nets and related items listed below are unconditionally zero-rated:

- gill-nets, webbing for gill-nets, leadline for gill-nets, corkline (top rope) for gill-nets and floats for gill-nets;
- seines, webbing for seines, leadlines for seines, corkline (top rope) for seines and floats for seines;
- trawl-nets, webbing for trawl-nets, leadlines for trawl-nets and corkline (top rope) for trawl-nets;
- gill-net drums, seine drums, trawl-net drums and long-line drums;
- entrapment webbing and predator webbing; and
- trawl-net doors.

Entrapment webbing and predator webbing

The terms “entrapment webbing” and “predator webbing” include virtually all types of nets and webbing. The webbing does not have to be manufactured into nets to be considered webbing for purposes of this provision.

Sales of small nets or fishing nets consisting of a net and a handle, commonly purchased by recreational fishermen, are taxable.

Other equipment

The following fishing equipment is unconditionally zero-rated:

- automatic baiters;
- automatic jiggers;
- mechanical net washers;
- automatic netpen feeders;
- manufactured netpens for use in aquaculture; and
- pescalators.

Property vs services

There are no provisions to zero-rate a supply of a repair service to a fisher. Therefore, this service is taxable. Where a repair service is completed on zero-rated fishing equipment, the repair company is considered to be making a single supply of a repair service and the materials supplied in conjunction with the repair service are not considered to be a separate supply, but rather one of the elements of the repair service.

For more information on single and multiple supplies and incidental supplies, refer to the following policy statements:

- P-077R2, *Single and Multiple Supplies*
- P-159R1, *Meaning of the Phrase “Reasonably regarded as incidental”*
- P-160R, *Meaning of the Phrase “Where a particular property or service is supplied together with any other property or service”*

Example

CA Enterprises manufactures and sells commercial fishing gear. One item that they sell is fishing trawls. Fishing trawls are simply fishing nets used by fishers (in commercial fishing) to capture the fish. However, on occasion, CA Enterprises is also involved in the repair of trawls. The items that go into repairing a trawl are essentially the same items that are used in the manufacture of a new trawl (i.e., labour, netting, hardware, twine, and rope).

In this case, while the trawl is zero-rated, the repair to the trawl is a taxable service, regardless of the fact that the same materials are used in manufacturing the zero-rated trawl.

This info sheet does not replace the law found in *the Excise Tax Act* (the 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 CRA GST/HST Rulings Centre for additional information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287. A ruling should be requested for certainty in respect of any particular GST/HST matter.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling the toll-free number 1-800-567-4692, or visit their Web site at www.revenu.gouv.qc.ca.

All GST/HST publications are available on the CRA Web site at www.cra-arc.gc.ca/tax/technical/gsthst-e.html.

Reference in CRA publications is made to the harmonized sales tax (HST) that applies to property and services provided in Nova Scotia, New Brunswick, and Newfoundland and Labrador (the “participating provinces”) at a rate of 13%. The goods and services tax rate is 5%.