

GST/HST Memoranda Series

4.3 Basic Groceries

January 2007

Overview This memorandum provides detailed information on zero-rated basic grocery products as they relate to the goods and services tax/harmonized sales tax (GST/HST) provisions of the *Excise Tax Act* (the Act).

Note This memorandum replaces GST/HST Memorandum 4.3, *Basic Groceries*, dated November 1997. Due to the number of revisions, the changes have not been side-barred.

Note – HST Reference in this publication is made to supplies taxable at 5% or 13% (the rate of the HST). The 13% HST applies to supplies made in Nova Scotia, New Brunswick and Newfoundland and Labrador (the “participating” provinces). If a person is uncertain as to whether the supply is made in a participating province, the person may refer to Technical Information Bulletin B-078, *Place of Supply Rules Under the HST*, available from any Canada Revenue Agency (CRA) tax services office.

Disclaimer The information in this document 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 a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more 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. If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

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La version française du présent mémorandum est intitulée
Produits alimentaires de base.

Canada

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Basic Groceries

General

- Sch. VI, Part III, s. 1
1. The supply of basic groceries, which includes most supplies of food and beverages marketed for human consumption (including sweetening agents, seasonings and other ingredients to be mixed with or used in the preparation of such food or beverages), is zero-rated. However, certain categories of foodstuffs, for example, carbonated beverages, candies and confectionery, and snack foods are taxable. If a product's tax status is in doubt, the CRA will consider the manner in which the product is displayed, labelled, packaged, invoiced and advertised to determine its tax status.

Note: In this publication “taxable” means subject to GST at 5% or HST at 13% and “zero-rated” means subject to GST/HST at 0%.

- Food and beverages in general
2. The terms “food” and “beverage” are not defined in the Act. However, the CRA considers a product to be a food or beverage if an average consumer would recognize and purchase the product as such in the ordinary course of buying basic groceries. Consumers usually consume food and beverages to sustain or maintain life, to allay hunger or thirst, or for enjoyment rather than for therapeutic or preventative effects (e.g., to correct actual or perceived health problems) or to achieve specific beneficial benefits related to performance or physique.

3. The CRA's approach is based on the views of an "average consumer". As a result, individual preferences for, or dislikes of, certain products would not alter the general perception that a product was, or was not, a food or beverage. Similarly, products that meet the special dietary needs of certain segments of the population, such as those with restricted or special purpose diets, high performance athletes and dieters may not necessarily be viewed by the average consumer as food or beverages. These types of products are commonly referred to as dietary supplements. Please see paragraphs 148 to 159 for a discussion of dietary supplements.

Ingredients

4. The term "ingredient" is not defined in the Act. Generally, it is the view of the CRA that an average consumer would consider a product to be an ingredient if it added to the flavour, texture or appearance of the final product; that is, if it was integral to the final product. Moreover, to be considered an ingredient, the final product must, in and of itself, be a food or beverage. A product that is marketed for its beneficial effects and that is added to a food or beverage simply as a way to consume it would not be considered an ingredient.

Consumable products considered basic groceries

5. Examples of food and beverages that are zero-rated as basic groceries under section 1 of Part III of Schedule VI include fresh, frozen, canned and vacuum sealed fruits and vegetables, breakfast cereals, most milk products, fresh meat, poultry and fish, eggs and coffee beans.

Consumable products not considered basic groceries

6. Some edible products are not basic groceries. These products are taxable, and include vegetable plants (parts of which are edible) and products commonly referred to as dietary supplements, including vitamins and minerals. Refer to paragraphs 148 to 159 of this memorandum for more information on dietary supplements.

Pills, tablets,
capsules

7. A product supplied in pill, tablet, capsule or similar form is not generally considered to be a food, beverage or ingredient, and is therefore taxable.

Substandard
products

8. Second quality goods that are suitable for human consumption and that are supplied as food or beverages for human consumption retain their zero-rated tax status. However, substandard food or waste from the manufacture of food for human consumption, which is not suitable for human consumption, is taxable. Such products are commonly supplied for use as animal feeds and may include offal or refuse. If such goods qualify under the *Agriculture and Fishing Property (GST/HST) Regulations* as feed or ingredients for feed for zero-rated farm livestock, fish or poultry in their own right, the supply of these goods is zero-rated when the criteria under the Regulations are met. Further information on agriculture and fishing is contained in GST/HST Memorandum 4.4, *Agriculture and Fishing*.

Foodstuffs excluded from zero-rating**Wines, spirits, beer, malt liquor or other alcoholic beverages**Sch. VI, Part III,
para 1(a)

9. Supplies of wine, spirits, beer, malt liquor or other alcoholic beverages are taxable.

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- De-alcoholized beer and de-alcoholized wine 10. De-alcoholized beer and de-alcoholized wine, whether imported or produced domestically are considered to be beer and wine for the purposes of the GST/HST, and are taxable, in addition to any applicable excise duties.
- De-alcoholized wine 11. The Act does not mention any minimum alcohol content to be used in the determination of whether or not a substance is a wine. While de-alcoholized wines may go through a distillation process to remove most of their alcohol, de-alcoholized wines do contain some alcohol. As such, de-alcoholized wines are considered wine for the purposes of paragraph 1(a) of Part III of Schedule VI.
- Cooking wine 12. Cooking wines (including de-alcoholized cooking wines) sold and represented as condiments, and normally purchased in grocery stores, regardless of whether made by a fermentation process or from spirits, are zero-rated. Cooking wine generally has a high salt content and is not suitable for consumption as a beverage.
- Grape juice concentrate or grape must 13. Supplies of grape juice concentrate or grape must that is used by consumers to make wine are zero-rated.
- Wine-making kits 14. Wine-making kits containing the ingredients to make wine (grape juice concentrate, yeast, etc.) are zero-rated. Wine-making kits that include labels, corks and shrink capsules as well as ingredients are also zero-rated. Wine-making kits containing additional items such as apparatus, equipment or material used in the manufacture of wine are taxable.
- Beer-making kits 15. Beer-making kits containing only the ingredients to make beer (yeast, hops etc.) are zero-rated. Beer-making kits containing more than just ingredients to make beer such as kits that include equipment or apparatus required to manufacture beer are taxable.
- Food preserved in alcohol 16. Supplies of food preserved in alcohol are zero-rated.
- Carbonated beverages**
- Sch. VI, Part III, para 1(c) 17. Supplies of carbonated beverages are taxable. Examples include:
- carbonated soft drinks such as ginger ale and cola, mixers such as tonic and soda water; non-alcoholic malt beverages; and
 - carbonated water (including carbonated mineral water), whether flavoured or otherwise, and whether naturally carbonated or otherwise. Words such as sparkling, soda water or effervescent refer to carbonation and indicate that the supply of water is taxable.
- Soda fountains 18. Many establishments operate soda fountains. These fountains are operated with a cylinder of pre-mix or post-mix. Pre-mix is a carbonated beverage. It is supplied in a cylinder and contains all the syrups and CO₂ required. The operator attaches this to the fountain and the fountain dispenses a carbonated beverage. Pre-mix acquired by such establishments is taxable. Post-mix contains other ingredients for a carbonated beverage, but does not contain CO₂. The supply of post-mix is zero-rated. The supply of cylinders of CO₂ is taxable.

Non-carbonated beverages

Sch. VI, Part III, para 1(d)	<p>19. Supplies of non-carbonated fruit juice beverages or fruit-flavoured beverages, other than milk-based beverages, that contain less than 25% by volume of</p> <ul style="list-style-type: none"> • a natural fruit juice or combination of natural fruit juices, or • a natural fruit juice or combination of natural fruit juices that have been reconstituted into the original state, <p>or goods that, when added to water, produce a beverage included in this paragraph are taxable.</p>
Milk-based beverages	<p>20. The term milk-based is not defined in the Act. A product will qualify as milk-based if it has milk as the main ingredient. The term milk refers to whole, skimmed and partly skimmed milk.</p>
Yoghurt drinks	<p>21. Drinkable yoghurts that have milk as a main ingredient (e.g., skim milk) are considered milk-based beverages.</p>
Soy or rice beverages	<p>22. Beverages made from non-animal sources, such as soy or rice, are not considered to be milk or milk-based beverages for GST/HST purposes.</p>
Fruit and vegetable juices	<p>23. Some beverages contain a combination of both fruit and vegetable juices and may be considered fruit-flavoured beverages or fruit juice beverages. Where this is the case, only the fruit juice content is taken into consideration when determining whether the 25% by volume threshold has been met. If the product is not considered to be a fruit juice beverage or a fruit-flavoured beverage, it will be zero-rated provided it is not excluded from zero-rating by another paragraph.</p>
Fruit-flavoured powders or crystals	<p>24. Supplies of fruit-flavoured powders or crystals that are mixed with water to make a fruit-flavoured beverage and that contain little or no actual fruit juice are taxable.</p>
Syrups, crystals and powders that are not fruit-flavoured	<p>25. Supplies of syrups, crystals, powders and flavourings for making beverages, which are not fruit-flavoured are zero-rated.</p>
Frozen concentrates	<p>26. To determine the tax status of frozen fruit juice beverage concentrates, the CRA will consider the percentage of fruit juice by volume in the frozen concentrate (not the percentage of fruit juice in the beverage when reconstituted). If the percentage of fruit juice in the concentrate is 25% or more by volume, the supply of the concentrate is zero-rated. If the percentage of fruit juice in the concentrate is less than 25% fruit juice by volume, the supply of the concentrate is taxable.</p>
Non-frozen concentrates	<p>The supply of fruit juice or fruit flavoured concentrates is taxable when the reconstituted beverage (e.g., water is added to the product to create a beverage according to instructions on the package) contains less than 25% by volume of natural juice(s).</p>

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Beverages and puddings

Sch. VI, Part III, para 1(n)	<p>27. Supplies of beverages (other than unflavoured milk), or pudding, including flavoured gelatine, mousse, flavoured whipped dessert product or any other products similar to pudding are taxable, except</p> <ul style="list-style-type: none">• when prepared and pre-packaged specially for consumption by babies;• when sold in multiples, pre-packaged by the manufacturer or producer, of single servings; or• when the cans, bottles or other primary containers in which the beverages or products are sold contain a quantity exceeding a single serving.
Single serving size for beverages	<p>28. For GST/HST purposes, a single serving for beverages includes all servings under 600 mL in volume. Manufacturers' packages of two or more single servings are zero-rated, as are all servings larger than a single serving.</p>
Single serving size for puddings and similar products	<p>29. For GST/HST purposes, a single serving for puddings and similar products includes all servings weighing less than 425 grams. Manufacturers' packages of two or more single servings of pudding or similar product are zero-rated, as are all servings larger than a single serving.</p> <p>30. The CRA will consider the manner in which the beverage is packaged, marketed and promoted to determine the tax status. For example, the supply of tomato and vegetable juices in 540 mL sealed cans (i.e., cans without built-in opening devices) is zero-rated even though the volume is under 600 mL. Tomato and vegetable juices supplied in these quantities and in this type of container are not marketed and promoted as single servings.</p> <p>31. Changes by the manufacturer to the packaging of a particular beverage will not necessarily change its tax status. For example, if a manufacturer changed the packaging of a 275 mL "pull-tab" beverage to an entirely sealed can, the supply could still be taxable as the product could still be considered a single serving given its packaging size, marketing and promotion.</p>
Taxable single serving beverages	<p>32. Beverages excluded from zero-rating under paragraph 1(n) of Part III of Schedule VI when a manufacturer's package containing only one single serving is supplied include:</p> <ul style="list-style-type: none">• non-carbonated spring water• non-carbonated fruit juices with 25% or more natural fruit juice• chocolate milk• drinkable yoghurt
Taxable multiples of single servings	<p>33. Consumer packages containing multiples of single servings (i.e. servings under 600 mL) of beverages described in paragraphs 1(c) and (d) of Part III of Schedule VI remain taxable. These supplies are not zero-rated under paragraph 1(n) of Part III of Schedule VI as they are excluded from zero-rating by either paragraphs 1(c) or 1(d).</p>
Opened manufacturer's packages	<p>34. When a manufacturer's case is broken open and single servings are supplied individually from the case, the supply of the individual single serving is taxable. The supply of a portion of a case or of a part case is also taxable. Only full, complete cases or units of two or more attached single servings that are packaged by the manufacturer or producer are zero-rated, unless another provision applies.</p>

Water and ice

Bulk or unbottled water Sch. VI, Part III, para 1(r)	<p>35. Supplies of bulk or unbottled water, other than ice, are excluded from zero-rating except when supplied as described in paragraph 37 of this memorandum.</p> <p>36. Most supplies of bulk or unbottled water are made by municipalities via a water distribution system to residences within the municipalities. However, some supplies of bulk water are made by private vendors. For example, machines to dispense purified water can be found in grocery stores. Individuals bring in their own containers or acquire a container at the store and fill the containers at the machines themselves.</p>
Quantity exceeding single serving Sch. VI, Part III, s 2	<p>37. The legislation provides for all unbottled or bulk water to be zero-rated when supplied to consumers in a quantity exceeding a single serving when dispensed through a vending machine or at a permanent establishment of the supplier. The same single serving size discussed in paragraph 28 of this memorandum applies in the case of unbottled water, i.e., all amounts below 600 mL are considered to be single servings.</p>
Single serving of unbottled water	<p>38. The supply of an individual single serving of unbottled water (i.e., under 600 mL) is taxable as it is excluded from zero-rating by paragraph 1(r) of Part III of Schedule VI and is not zero-rated under section 2 of the same Part or Schedule of the Act.</p>
Supplies by commercial haulers Sch. V, Part VI, s 23	<p>39. All supplies of unbottled water made by commercial water haulers are exempt under section 23 of Part VI of Schedule V. However, the supply of unbottled water by a government (other than a municipality) is taxable unless the government is designated as a municipality for this purpose or the supply is zero-rated as described in the above paragraph. Please refer to GST/HST Info Sheet GI-011, <i>Water Haulers</i> for more information on this topic.</p>
Carbonated water	<p>40. Carbonated water, whether flavoured or not, is taxable regardless of the size of the bottle or packaging, as explained in paragraph 17 of this memorandum.</p>
Flavoured water	<p>41. Non-carbonated fruit-flavoured water is taxable regardless of the container size or packaging. Non-carbonated fruit-flavoured water falls within paragraph 1(d) of Part III of Schedule VI, which is discussed in paragraphs 19 to 26 of this memorandum.</p>
Bottled water	<p>42. Plain bottled water (i.e., other than carbonated water or fruit-flavoured water) is subject to the rules in paragraph 1(n) of Part III of Schedule VI, which are explained in paragraphs 27 to 34 of this memorandum. Therefore, plain bottled water sold in a single serving size bottle (i.e., less than 600 mL) is taxable. When plain bottled water is sold in manufacturers' packages of two or more single serving bottles, or in a bottle that exceeds a single serving, it is zero-rated.</p>
Ice	<p>43. Ice made from potable water is zero-rated when sold as ice cubes or as a large block regardless of how the ice is used.</p> <p>44. Ice made from water not suitable for human consumption (non-potable water), including salt water, is taxable. Dry ice, the solid form of carbon dioxide, is not suitable for human consumption and is taxable.</p>

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Candies

Candies
Sch. VI, Part III,
para 1(e)

45. Supplies of candies, confectionery that may be classed as candy, or any goods sold as candies, such as candy floss, chewing gum and chocolate, whether naturally or artificially sweetened, and including fruits, seeds, nuts and popcorn when they are coated or treated with candy, chocolate, honey, molasses, sugar, syrup or artificial sweeteners are taxable. Examples include:

- chocolate bars and candy bars
- chocolate cups with a sweetened filling
- chocolates containing fruits, toffees, caramel, fondant, liqueurs
- nuts, popcorn, raisins, apples, etc., when coated or treated with candy, chocolate, molasses, sugar or syrup
- fruit pastilles, Turkish delights and similar jelly sweets
- marzipan sweets
- marshmallows and cream sweets
- sesame bars
- chewing gum
- candy floss
- chocolate-covered coffee beans

Zero-rated baking
ingredients

46. The following supplies of baking ingredients are zero-rated:

- bulk industrial chocolate
- chocolate chips
- baker's chocolate
- liquid chocolate icing
- edible cake decorations packaged and sold as cake decorations
- fondue chocolate
- chocolate spread
- angelica and cocktail cherries

Baking ingredients

47. If a product is labelled and marketed solely for use as a baking ingredient it will be zero-rated. However, if a product is marketed as an ingredient and for another use (e.g., as snack food), that product may be excluded from zero-rating by one of the exceptions listed in paragraphs (a) to (r) of Section 1 of Part III of Schedule VI. Refer to paragraphs 140 to 145 of this memorandum for more information on multi-use goods with applications as ingredients for food or beverages for human consumption.

Fondue chocolate

48. Fondue chocolate to be used in the preparation of food is traditionally supplied in bar form (170 – 200 grams) in the baking section of grocery stores and is zero-rated.

49. When suppliers purchase chocolate bars (65 – 150 grams) from a confectionery manufacturer and repackage them as fondue chocolate, the supply of the repackaged bar is taxable as “goods sold as candies” pursuant to paragraph 1(e) of Part III of Schedule VI.

Bars

50. In addition to traditional chocolate or candy bars, other types of bars, which may be chocolate coated or flavoured, are also available. The list below provides references to the paragraphs in this memorandum that discuss the criteria and the tax status of bars that do not fall within paragraph 1(e) of Part III of Schedule V:

- Granola bars are discussed in paragraphs 63 to 65 of this memorandum.
- Fruit bars are discussed in paragraphs 85 and 86 of this memorandum.
- Cereal bars and muffin bars are discussed in paragraphs 98 and 99 of this memorandum.
- Bars that are labelled as either a meal replacement or a nutritional supplement are discussed in paragraphs 160 to 162 of this memorandum.

Nut bars

51. Nut bars, which generally include one or more types of nuts and syrup or honey as main ingredients, are taxable.

Energy bars and protein bars

52. Many bars on the market are labelled as energy bars or protein bars. These types of bars are generally taxable unless they qualify as meal replacements or nutritional supplements that meet the conditions set out in paragraph 160 of this memorandum.

Ingredients

53. Energy bars usually have a higher proportion of carbohydrates than traditional snack bars or have a specific balance of carbohydrates, fat and protein. Protein bars offer higher amounts of protein than traditional snack bars. Energy bars and protein bars are often made with cocoa and/or have a chocolate coating, and are promoted as a healthier alternative to traditional chocolate bars. Some energy bars and protein bars have the same ingredients and texture as granola bars, while others may have a significant fruit content.

Labelling

54. Energy bars and protein bars may emphasize their content (e.g., balanced nutrition or protein) or their effect (e.g., muscle building or energy boosting) on their packaging, in the product literature, or on the manufacturer's Web site. Energy bars and protein bars may also be associated with weight-loss programs.

Snack foods

Sch. VI, Part III, para 1(f)

55. Supplies of chips, crisps, puffs, curls or sticks (such as potato chips, corn chips, cheese puffs, potato sticks, bacon crisps and cheese curls), other similar snack foods or popped popcorn and brittle pretzels, but not including any product that is sold primarily as a breakfast cereal, are taxable.

"Other similar snack food"

56. The CRA applies several factors when determining whether a product is similar to the products listed in paragraph 1(f). As there are many variations in packaging, product names, and in the actual products themselves, each product must be considered individually. Factors such as physical properties, labelling, packaging and marketing may be used to determine if a particular product is similar to a chip, crisp, puff, curl or stick as described in paragraph 1(f) of Part III of Schedule VI:

Properties, labelling, packaging and marketing factors

Properties

- Ingredients: potatoes, corn or corn meal.
- Flavours: In addition to salty, the product is available in flavours such as salt and vinegar, barbecue, all-dressed, cheese, nacho, ketchup, pizza, sour cream and onion, etc.
- Texture: crispy, crunchy, brittle or fluffy.
- Cooking process: deep fried or baked.
- Size and shape: small, thin, slice, (chip); long and slender cylindrical form (stick); fluffy mass (puff); or spiral or winding form (curl).

Labelling

- The word “chip”, “crisp”, “puff”, “curl” or “stick” appears in the name of the product or elsewhere on the label (e.g., “healthier than a chip”, “tastes like a chip” or “part chip”).
- The label includes words found on packages of chips, crisps, puffs, curls, or sticks (e.g., “snack”, “party snack” or “crunch”).

Packaging

The product is packaged loosely in a bag.

Marketing

- The advertising, whether through print or electronic media, includes words such as “chips”, “crisps”, “puffs”, “curls” or “sticks” (e.g., “chip-loving eaters” or “healthier than a chip”).
- The advertising, whether through print or electronic media, includes words found on packages of chips, crisps, puffs, curls or sticks (e.g., “snack”, “snack food”, “party snack”, “crunch” or “crispy”).

57. Please note that products that are enumerated in paragraph 1(f) generally have potatoes, corn or corn meal as a main ingredient. However, inclusion of ingredients not listed above would not preclude a particular product from falling within paragraph 1(f). For example, a product that has rice as its main ingredient could still fall under the expression “other similar snack food” based on the application of the remaining factors.

58. It should be noted that no one factor is determinative of the tax status of a product and changes in the labelling, packaging and/or marketing would not necessarily result in a different tax status. All factors must be considered in determining whether a product falls within paragraph 1(f).

Example 1

Product A ingredients include enriched flour, vegetable oil shortening, and potato flakes. It is available in six varieties: original, ranch, barbecue, all dressed, salt and vinegar and zesty cheese. Product A is loosely bagged and sold in 200 gram packages in the cracker aisle of the supermarkets. It is also sold in small bags. Each piece is comparable to the size of a potato chip. Product A is described on its Internet site as “healthier than potato chips”. It is labelled as “part chip and part cracker”, “made with potato like a chip” and “maximum crunch”. It is also described on the label as “wheat cracker snacks” and “oven baked with wheat like a cracker”.

Based on the facts set out above, Product A is taxable.

Product A is considered to be a “similar snack food” for purposes of paragraph 1(f) of Part III of Schedule VI based on its properties. One of its main ingredients consists of potato (flakes), an ingredient common to those snack foods enumerated in paragraph 1(f). In addition, it is available in flavours commonly associated with snack foods. Also, the appearance (small thin slice) and the texture (crunchy) are similar to those products enumerated in paragraph 1(f). Finally, Product A is labelled and marketed in a manner similar to products enumerated in paragraph 1(f). Although we consider placement of a product in store aisles as a relevant consideration, it alone is not considered a determinative factor.

Example 2

Product B ingredients include enriched wheat flour, vegetable oil shortening, sugar, glucose-fructose, salt, malt flour, monocalcium phosphate, sodium bicarbonate, ammonium bicarbonate, soya lecithin and protease. It comes in three flavours, regular, pizza and cheese. It is small in size and contains no filling. Product B labelling includes the following: “Crackers”, “Watch out for the outrageous taste of Product B” and “The Product is packed full of flavour that will tickle your taste buds to the max”. It is sold loosely in 200 gram bags in the cracker section of the supermarket.

Based on the facts set out above, Product B is zero-rated under section 1 of Part III of Schedule VI.

The above facts demonstrate that Product B has different properties from those found in products enumerated in paragraph 1(f). Furthermore, the omission of words on the labelling and marketing material of Product B that are usually used with products enumerated in paragraph 1(f), indicates that it is not similar to those products enumerated in paragraph 1(f).

Example 3

Product C ingredients are enriched flour, vegetable oil shortening, whey powder, cheddar cheese (or peanut butter), sugar, glucose-fructose, salt, butter, buttermilk powder, monocalcium phosphate, baking soda, ammonium bicarbonate, soya lecithin, sodium phosphate, maltodextrin, papain, protease and natural flavour. It is labelled as a “cracker” and is filled with either cheese or peanut butter. The product is sold in 250 gram boxes in the cracker section of the supermarket and it is also sold in 50 gram bags. Product C is marketed as “fun snacking made easy”, “a tasty choice for family snacking” and “at home or on the go”.

Based on the facts set out above, Product C is zero-rated under section 1 of Part III of Schedule VI.

The above facts demonstrate that Product C has different properties from those found in products enumerated in paragraph 1(f). Furthermore, the omission of words on the labelling and marketing material of Product C that are usually used with products enumerated in paragraph 1(f), indicates that it is not similar to those products enumerated in 1(f).

Example 4

Product D main ingredients include potato pieces, rice pieces and seasonings. Flavours include barbeque, salt and vinegar, original, ketchup, and nacho cheese. It has a unique, crispy, crunchy texture. The product is loosely bagged and sold in 140 gram bags. Product D labelling includes the following: “potato crisps”, “baked not fried” and “bold chip flavours, bite-sized, light and crunchy and low in fat”. It is promoted on the label as “take the taste and crunch of potato chips and give them a whole new spin” and “bite sized potato crisp”.

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Based on the facts set out above, Product D is taxable.

Product D is considered to be a “similar snack food” for purposes of paragraph 1(f) of Part III of Schedule VI based on its properties. One of the main ingredients of Product D is potato (pieces), an ingredient common to snack foods enumerated in paragraph 1(f). In addition, it is available in flavours commonly associated with snack foods. Also, the appearance (bite-size) and texture (crispy, crunchy) are similar to those products enumerated in paragraph 1(f). Finally, Product D is labelled and marketed in a manner similar to products enumerated in paragraph 1(f).

Example 5

Product E ingredients include rice, corn, water, seasoning blend and sunflower oil. It is available in barbecue, salt and vinegar, cheddar cheese, and sour cream and onion. Each piece is comparable in size to a potato chip. Product E is loosely bagged and sold in 100 gram packages. It is labelled as “The rice snack that eats like a chip”, “intense chip flavours”, “great chip crunch” and “delicious, low-fat rice snack”. Product E is advertised in a magazine as: “Seven reasons potato chips are shaking in their bags”, “intense chip flavours and a great chip crunch” and “Experience the evolution of snacking”.

Based on the facts set out above, Product E is taxable.

Product E is considered to be a “similar snack food” for purposes of paragraph 1(f) of Part III of Schedule VI based on its properties. One of this product’s main ingredients is corn, an ingredient common to snack foods enumerated in paragraph 1(f). In addition, Product E is available in flavours commonly associated with snack foods. Also, the appearance (size) and texture (crunchy) are similar to those products enumerated in paragraph 1(f). Finally, it is labelled and marketed in a manner similar to products enumerated in paragraph 1(f).

Example 6

Product F ingredients include peas, starch, canola oil, sugar, wheat flour, salt, monosodium glutamate, horseradish and tartrazine. It is loosely bagged and sold in 120 gram packages. It is labelled as “The snack that is a healthy alternative”, “Craving for something different” and “Great tasting snack”. Product F is advertised on the Internet as a “Crunchy delicious snack”, “Snackers in the mood for something a little bit different” and “They’re just like spicy hot peanuts, only green!”.

Based on the facts set out above, Product F is taxable.

Product F is considered to be a “similar snack food” for purposes of paragraph 1(f) of Part III of Schedule VI. In addition to the properties of the product, factors related to labelling, packaging and marketing must be considered. The inclusion of phrases such as “snack”, “craving for something different”, “great tasting snack” on the label and “crunchy delicious snack”, “Snackers in the mood for something a little bit different”, “They’re just like spicy hot peanuts, only green!” in advertising on the Internet, indicates that Product F is labelled and marketed in a similar manner to those products enumerated in paragraph 1(f).

Unpopped popcorn kernels

59. Unpopped popcorn kernels, including microwave popcorn kernels, are zero-rated when salted or otherwise, since the kernels are not considered to be popcorn prior to popping.

Salted nuts and salted seeds Sch. VI, Part III, para 1(g)

60. Supplies of salted nuts or salted seeds (e.g., salted peanuts, sunflower seeds, mixed nuts) are taxable.

Flavoured nuts or seeds

61. Nuts or seeds may also be available in various flavours such as Cajun or barbecue. If the seasoning or coating includes salt as an ingredient, the nuts or seeds are taxable.

Granola products Sch. VI, Part III, para 1(h)

62. Supplies of granola products (e.g., granola bars and similar products), but not including any product that is sold primarily as a breakfast cereal, are taxable.

63. Granola generally includes a mixture of cereals (e.g., rolled oats, rice, or other whole grains), brown sugar, honey, and/or syrup as the main ingredients, and may include nuts and dried fruit. The mixture may be sold loose or pressed into bars.

Granola bars

64. Granola bars generally have a mixture of cereals (e.g., rolled oats, rice, or other whole grains) and honey and/or syrup as the main ingredients, and may include nuts and dried fruit. The ingredients in granola bars are not processed to a great extent, thereby retaining the distinct character of each ingredient within the bar. Granola bars may have a chocolate or sweetened coating.

65. Bars that contain a mixture of cereals and honey and/or syrup, where the ingredients have been processed to the point that they have lost their distinct character, are not considered to be granola bars, but rather cereal bars or muffin bars.

Snack mixtures
Sch. VI, Part III,
para 1(i)

66. Supplies of snack mixtures that contain cereals, nuts, seeds, dried fruit or any other edible product, but not including any mixture that is sold primarily as a breakfast cereal, are taxable.

67. Snack mixtures usually have the following characteristics:

- Consumers commonly view them as snacks.
- Their ingredients are ready to eat; no further processing is required.
- The ingredients have been combined before the product is sold.
- The main ingredients remain separate and distinct from each other and are not bound into one whole.
- The main ingredients are often coated with a savoury seasoning such as salt or barbecue flavouring.
- They are eaten by the handful or as individual bite-sized pieces without utensils.
- They are usually sold in pouch packs or bags, from bulk bins or in clear plastic containers.

68. Mixtures that are excluded from zero-rating by paragraph 1(i) include:

- a mixture of two or more of the classes or categories of the items identified in paragraph 1(i) (i.e., nuts and seeds, nuts and dried fruit, cereal and dried fruit, etc.); or
- a mixture of two or more varieties within each class or category (i.e., two or more types of dried fruit, or two or more types of nuts, etc.).

Mixtures of nuts

69. A supply of a mixture of two or more types of nuts, whether salted or not, is taxable. However, mixtures of nuts in their natural state (i.e., not further processed than washed and/or cleaned) are zero-rated. Nuts that have been seasoned, roasted or shelled are not considered to be in their natural state.

Trail mixes

70. Supplies of products known as trail mixes that contain various combinations of the products described in paragraphs 66 to 68 of this memorandum are taxable.

Ice lollies

Sch. VI, Part III,
para 1(j)

71. Ice lollies, juice bars, flavoured, coloured or sweetened ice waters, or similar products, whether frozen or not, are taxable.

4.3 Basic Groceries

72. Goods excluded from zero-rating under paragraph 1(j) of Part III of Schedule VI include frozen products such as popsicles and products such as freezies and flavoured, coloured or sweetened ice waters, when packaged in plastic sheaths, whether frozen or not.

73. All the goods listed in paragraphs 71 and 72 of this memorandum are taxable when containing fruit juice and/or fruit pieces regardless of the percentage of fruit juice in the product and regardless of whether the product is on a stick or otherwise.

Ice cream and similar products

Sch. VI, Part III,
para 1(k)

74. A supply of ice cream, ice milk, sherbet, frozen yoghurt or frozen pudding, non-dairy substitutes for any of the foregoing, or any product that contains any of the foregoing, when packaged or sold in single servings, is taxable.

75. Examples of ice cream and similar products that are taxable, when packaged or sold in single servings, include:

- ice cream sandwiches
- ice cream bars
- tofu-based frozen snacks
- frozen yoghurt bars

Frozen confections

76. Frozen confections containing a mixture of fruit/fruit juice and dairy products (such as cream or ice cream) are taxable under paragraph 1(k) when packaged or sold in single servings.

Meaning of single
serving
Sch. VI, Part III,
para 1(k)

77. For GST/HST purposes, the volume or weight of a single serving of any of the products listed in paragraph 1(k) of Part III of Schedule VI is a package or unit of less than 500 mL when measured by volume, or less than 500 grams when measured by weight.

78. The phrase “single serving” includes cones, sundaes, cups, dishes, bowls or similar containers, excluding containers that contain at least 500 mL or 500 grams of these goods when packaged at the retail level for home consumption. This single serving size limit is also applied to beverage containers when the serving includes any of the goods listed in the paragraph 1(k) of Part III of Schedule VI as in the case of a float containing ice cream.

Package of two or
more single servings

79. Paragraph 1(k) of Part III of Schedule VI does not differentiate between the supply of an individual single serving and the supply of a package containing multiples of single servings. As long as the products are in single serving sizes, the tax applies regardless of the number of single servings in the package. For example, a box containing twelve ice cream sandwiches where each portion is 75 mL, and where each is individually wrapped would be taxable.

Packaged in single
servings

80. Ice cream and similar products are considered to be “packaged in single servings” where the nature of the packaging provides an identity to each serving, that is, each serving is packaged in its own right. For example, an individually wrapped ice cream sandwich of 75 mL would be considered packaged in a single serving.

Not packaged in single servings	81. On the other hand, a two-litre container of ice cream that is divided into six portions by pieces of wax paper or plastic, and that has a single lid covering the entire container, would not be considered as “packaged in single servings”. In this case, each portion is not individually contained or wrapped nor is each portion packaged in its own right. In addition, it would not be possible to remove one portion of ice cream from the container without exposing the other portions as the lid covers the entire container; therefore, this two-litre container of ice cream is zero-rated.
Sold in single servings	82. Ice cream and similar products are considered to be “sold in single servings” where the product is designed and marketed for sale in single servings. The product may be suitable for immediate consumption on or off the supplier's premises. For example, an establishment sells a cone containing 250 mL of ice cream. As the ice cream cone is designed for sale in a single serving it is taxable. If the establishment sells several cones at one time and places them in a tray for transportation by the customer, the supply remains taxable as each cone is designed for sale as a single serving.
Separation of a product	83. Preparation or separation of a product into multiple portions does not necessarily result in a sale of single servings. Where the product is not designed and marketed for sale in single servings, and provided the portions are not packaged in single servings, the product is not considered to be sold in single servings. For example, the supply of an ice cream cake (the total weight or volume of which is greater than a single serving) that is divided into portions by pieces of wax paper or plastic will not be considered to be “sold as single servings” as the product is not designed and marketed for sale in single servings even though each piece weighs less than 500 grams or is less than 500 mL in volume.
Unwrapped single servings	84. If a store owner unwraps an ice cream product that was packaged for sale as a single serving immediately before selling it to the consumer, the supply of the product remains taxable as it is designed or marketed to be sold as a single serving.

Fruit based snack foods

Fruit bars, rolls, etc. Sch. VI, Part III, para 1(l)	85. Supplies of fruit bars, rolls, or drops or similar fruit-based snack foods (in solid or semi-liquid form) are taxable. Examples include fruit leathers, dried fruit bars, and similar products that are 100% fruit or have fruit as a significant ingredient.
Fruit bars	86. Fruit bars may include one or more fruits or may include fruit in combination with vegetables, grains, nuts or seeds. A bar that has fruit flavouring may also be considered to fall within this category. A cereal bar with a fruit filling is generally not considered to be a fruit bar. These cereal bars are considered sweetened goods and similar products, they are discussed in paragraphs 98 and 99 of this memorandum.

Sweetened goods and similar products

Sch. VI, Part III, para 1(m)	87. Supplies of cakes, muffins, pies, pastries, tarts, cookies, doughnuts, brownies, croissants with sweetened filling or coating, or similar products are taxable where: <ul style="list-style-type: none"> • they are pre-packaged for sale to consumers in quantities of less than six items each of which is a single serving, or • they are not pre-packaged for sale to consumers and are sold as single servings in quantities of less than six.
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4.3 Basic Groceries

- Bread products 88. The conditions in the above paragraph do not apply to bread products such as bagels, English muffins, croissants, or bread rolls that do not have sweetened fillings or coatings. The supply of these goods is zero-rated unless excluded from zero-rating by paragraph 1(q) of Part III of Schedule VI. Refer to paragraphs 136 to 139 of this memorandum for more information on paragraph 1(q).
89. For GST/HST purposes, a single serving is a serving of cake, pie, muffin, pastry, tart, cookie, doughnut, brownie, croissant with sweetened filling or coating or a similar product weighing less than 230 grams **or** a portion or part of a good under paragraph 1(m) when offered for sale as a single serving.
- Sweetened filling 90. The term “sweetened filling” includes any sweetening ingredients (other than unsweetened fruit) added as a filling, but **excludes** sweetened products added merely as a catalyst for leavening agents (known as yeast foods).
- Sweetened coating 91. The term “sweetened coating” includes any icing, sugar or sweetened topping applied to the surface of a product before, during or after processing.
- Preparation 92. Included in paragraph 1(m) of Part III of Schedule VI are foods commonly purchased or served as desserts or snacks that are baked, fried, fresh or frozen, or otherwise prepared for sale.
- Taxable goods under Sch. VI, Part III, para 1(m) 93. Goods that are taxable under the conditions listed in paragraph 87 of this memorandum include:
- cakes, including coffee cakes, tea cakes, etc.
 - tarts
 - pies
 - flans
 - sweetened crepes and pancakes
 - muffins and muffin bars
 - cookies and biscuits, including Fig Newtons and oat cakes
 - strudel
 - squares, including rice crispie squares
 - bars, including Nanaimo bars
 - cereal bars
 - tortes
 - plum puddings
 - Indian sweets
 - doughnuts
 - beignets and fritters
 - waffles
 - loaves/breads such as banana or carrot loaf consisting primarily of a muffin mix or similar sweetened base
 - hot cross buns

Zero-rated supplies
Sch. VI, Part III,
para 1(m)

94. The following are examples of zero-rated supplies. They are not considered to be “sweetened goods” for the purposes of paragraph 1(m):

- tortilla and taco shells
- savoury and meat pies
- doughs of all kinds, including puff pastry and cookie doughs
- pie shells, vol-au-vent, and phyllo leaves
- English muffins without a sweetened filling or coating
- soft pretzels
- traditional bread products such as bagels, scones and tea biscuits, croissants or bread rolls, without sweetened filling or coating
- crackers (other than graham crackers), including:
 - soda crackers
 - salted crackers
 - table water crackers
 - cream crackers
 - rice crackers
 - crispbread
 - snacking crackers (including vegetable, bacon or cheese flavoured)
 - wheat thins
 - toasts
 - bread sticks
 - rusks
 - unsweetened rice cakes

Packaging for sale to
consumers

95. Paragraph 1(m) of Part III of Schedule VI refers to goods “pre-packaged for sale to consumers” in varying quantities. The term is understood to mean packaging undertaken or performed by the manufacturer, or undertaken on the manufacturer's behalf, as in a contract-for-labour arrangement. “Pre-packaged for sale to consumers” is also understood to include any pre-packaging of any kind performed in the retail environment. Products offered for sale that have been bagged or boxed in a retail bakery are considered “pre-packaged for sale to consumers” for the purposes of paragraph 1(m). Goods packaged at the time of sale for the customer to carry home are not considered “pre-packaged for sale to consumers”.

96. The following information will help in determining whether goods are “pre-packaged for sale to consumers” when they are not manufactured or prepared in a retail environment:

Six or more single
servings

- A zero-rated pre-packaged unit is a package of six or more single servings packaged by the manufacturer in a container intended for purchase by the final consumer. A package intended for sale to consumers normally includes information required under the *Consumer Packaging and Labelling Act*. This information includes ingredients and net weight.

4.3 Basic Groceries

- UPC code
- This packaging can also contain a universal product code (UPC) to be read by scanner-type point-of-sale equipment. The UPC is not required to be on packaging under the *Consumer Packaging and Labelling Act*. The absence of a UPC does not preclude the packaging being acceptable for the CRA's purposes. However, its presence aids in determining whether the product is pre-packaged.
- Packages within packages
- Some packages considered “pre-packaged for sale to consumers” contain other packages within them. For example, a box containing eight tarts may contain four cellophane packages, each containing two tarts. The box contains the consumer packaging information required under the *Consumer Packaging and Labelling Act*. The box is considered a pre-packaged unit for the purposes of paragraph 1(m) of Part III of Schedule VI, and as it contains eight single servings, the supply of the box of tarts is zero-rated.
- Shipping container
- A box or container normally used for shipping purposes, containing several consumer packages of less than six single servings is taxable, regardless of the number of single servings in the shipping container.
- Mixed multiple servings
97. A mixed supply of six or more single servings of these goods is zero-rated. For example, a supply of two bagels, two muffins and two doughnuts, purchased from a doughnut shop (when they are not individually packaged), is considered to be six single servings for the purposes of paragraph 1(m) of Part III of Schedule VI, and therefore zero-rated. If, however, the goods are pre-packaged for sale to consumers individually or in any quantity less than six, the supply is taxable.
- Cereal bars and muffin bars
98. Cereal bars and muffin bars usually have ingredients similar to granola bars (i.e., a mixture of cereals and honey, and/or syrup), but the ingredients in cereal bars and muffin bars are processed to a greater extent. These bars may have a muffin-like texture or a fruit filling in a baked crust. This category also includes bars made from commercial cereals and other ingredients such as fruit.
99. Cereal bars and muffin bars are individually wrapped, and may be sold singly or in boxes of several individually wrapped bars. Cereal bars and muffin bars are taxable when sold individually (regardless of the quantity purchased) and when sold in boxes containing less than six bars. Boxes containing six or more cereal bars or muffin bars are zero-rated. However, shipping cartons (including display boxes) of cereal bars or muffin bars intended for individual sale are taxable.
- Wedding cakes
100. The supply of a decorated wedding cake is zero-rated as long as it is food for human consumption, supplied by the cake decorator, and it weighs at least 230 grams. The supply of a decorated artificial cake that is not for human consumption (e.g., the cake is made of Styrofoam) is subject to GST/HST at the rate of 5% or 13%. However, if the decorated cake is a combination of artificial and real cake layers, the entire wedding cake is zero-rated as long as at least one of the layers is real cake supplied by the decorator, and it weighs at least 230 grams.

Heated food or beverages

- Sch. VI, Part III, para 1(o)
101. Food or beverages heated for consumption are excluded from zero-rating under paragraph 1(o) of Part III of Schedule VI.

102. Food or beverages heated for consumption include food and beverages supplied by establishments (e.g., grocery stores or restaurants) that sell hot food and beverages that have been heated or kept hot so that they can be consumed hot. The tax status of any cooked foods depends on the way they are sold. For example:

- if they are sold from a heated cabinet, they are taxable ;
- if the establishment has a separate take-out counter, any hot foods sold from this counter are taxable ; or
- if the food and beverages are purchased and heated at the point of purchase, they are taxable.

103. If the cooked foods are cold and are sold from unheated or refrigerated shelves at other counters to be subsequently re-heated prior to consumption, they are zero-rated.

Salads

Salads not canned or vacuum sealed
Sch. VI, Part III,
para 1(o.1)

104. The supply of salads is taxable, unless they are canned or vacuum sealed.

Meaning of “salad”

105. Salads are considered to include ingredients such as chopped, shredded, diced, sliced, or pureed vegetables, meat, fish, egg, or other food supplied with a dressing and/or seasoning(s), whether or not the dressing is mixed with the other ingredients. A combination of one ingredient mixed with a dressing or seasoning(s) that is sold or represented as a salad is also considered to be a salad. Fruit salads and gelatine salads generally do not need a dressing to be considered a salad.

106. Supplies of mixed, cut vegetables which are packaged and promoted as a “stir-fry” or “chop suey mix” as well as a supply of mixed vegetable sprouts (e.g., a mixture of alfalfa sprouts and radish sprouts) are not considered salads. These packages are zero-rated.

Salads in containers

107. All supplies of salads in cans or in containers that are vacuum sealed are zero-rated.

Gelatine salads

108. Salads also include gelatine salads. These salads commonly contain fruit and may be formed in the shape of a mould.

Pre-packaged salad kits

109. A package that contains the ingredients for a salad where the ingredients are not mixed, such as a package containing lettuce, croutons and dressing (i.e., where the ingredients are in separate containers) and that require mixing by the consumer, is not considered to be a salad for purposes of the GST/HST. The supply of a package of salad ingredients as described in the above paragraph is considered to be a supply of basic groceries and is zero-rated.

Sandwiches

Sandwiches, etc., other than when frozen
Sch. VI, Part III,
para 1(o.2)

110. Supplies of sandwiches and similar products other than when frozen are taxable. “Frozen” is understood to mean to be maintained at a temperature equal to or less than zero degrees Celsius. Cooled or refrigerated sandwiches are considered suitable for immediate consumption when kept at a temperature above zero degrees Celsius.

4.3 Basic Groceries

Sandwiches and similar products

111. Sandwiches and similar products are regarded as something which can be consumed with little or no preparation, consisting of one or more pieces of bread, with meat, cheese, savoury or other topping or filling, all of which are suitable for immediate consumption.

112. Bread includes, but is not limited to, such things as flour and corn tortillas, pita bread, naan bread, rolls, flatbread, foccacia, croissants and bagels.

113. The tax applies on the sale of all sandwiches or similar products regardless of whether they are in a refrigerated cooler or fresh. The product would be considered a sandwich or similar product if the bread is cooked, i.e., ready-to-eat, and is wrapped around a ready-to-eat filling. Some examples include:

- hot dogs, hamburgers
- open-faced sandwiches
- toasted sandwiches
- submarines or hero sandwiches
- pita bread or tortillas sold with a mixture of prepared food in the pocket or wrapped as a roll

Platters

Platters of cheese, cold cuts and other prepared foods
Sch. VI, Part III,
para 1(o.3)

114. Supplies of platters or arrangements of cheese, cold cuts (e.g., meat, fish or poultry), fruit or vegetables and other arrangements of prepared foods and other food are taxable whether or not they are in a form suitable for immediate consumption. For example, frozen platters of prepared foods are taxable.

Catering or service charge

115. Where there is also a catering charge or other service charge that is contingent upon the sale of the foodstuff, whether billed separately or not, such a charge is also taxable. More information on catering is provided in paragraphs 121 to 133 of this memorandum.

116. Examples of platters taxed include:

- trays of appetizers including cheese, fruit, canapés, pâtés
- crudités
- platters of meat, fish, poultry and other foods including cold cuts
- frozen shrimp rings
- sushi

“Other arrangements of prepared food”
Sch. VI, Part III,
para 1(o.3)

117. “Other arrangements of prepared food” are taxable. The CRA considers “other arrangements of prepared food” to be arrangements of food with characteristics similar to (although not necessarily identical to) those of “platters of cheese, cold cuts, fruit or vegetables”. In general, such arrangements should be reminiscent of arrangements a caterer might provide in the course of a catering service (e.g., a platter of sushi).

118. In particular, “other arrangements of prepared food” should:

- be presented on a piece of serving ware (i.e., something on which the prepared food is likely to be served);
- be deliberately configured to create a visual effect so that they appear likely to be served in the same form in which they are sold. (Care is usually taken to make most retail food products visually attractive, but few are deliberately arranged to create a visual effect that indicates they are intended to be set out on a table in the same form in which they are sold.); and
- require little or no additional preparation (e.g., “cooking” or “heating” would generally constitute additional preparation, whereas “thawing” generally would not).

Example 1

Muffins in a “family pack”

A grocery store sells a large cardboard tray that holds 16 assorted muffins. The muffins are placed in rows and the cellophane wrapped tray is advertised as a “family pack”.

The placement of the muffins is not intended to achieve any desired visual effect and the tray on which they are placed is not likely to be used as serving ware. Rather, the principal purpose of the packaging is to protect the muffins in an efficient way, while allowing them to be viewed by prospective customers. Although the muffins require little or no additional preparation, the muffin trays are not considered “other arrangements of prepared food” for the purposes of paragraph 1(o.3) and are zero-rated.

Example 2

Dessert trays

A bakery produces small dessert trays that consist of a decorative plastic plate (8” in diameter) on which 18 dessert squares are arranged in a pattern and are enclosed within a clear plastic shell. These trays are advertised as “party trays”.

Although the plate on which the dessert squares are arranged and the shell in which the plate is enclosed help protect and preserve the squares, they are not merely packaging, as the plate is likely to be used to serve the dessert. The dessert squares are arranged in a pattern that is pleasing to the eye, and the squares require little or no additional preparation. These dessert trays are considered “other arrangements of prepared food” for the purpose of paragraph 1(o.3) and are taxable.

Example 3

Frozen pizzas

A retail store sells frozen uncooked pizzas. They can be 8”, 10” or 12” in diameter, and are sliced into 6, 8, or 10 pieces respectively. The frozen uncooked pizzas are decorated with black olives and a sprig of parsley in the middle. Each pizza is cellophane wrapped on a cardboard tray.

Although the pizzas are pleasing to look at, they have not been “arranged” to achieve any desired visual effect, rather they have been sliced into individual servings for the sake of convenience. The pizzas require a significant amount of additional preparation (they must be cooked) before they can be eaten and they are not likely to be cooked or served on the cardboard trays. These frozen pizzas are not considered “other arrangements of prepared food” for the purpose paragraph 1(o.3) and are zero-rated.

Gift baskets

119. Any combination of foodstuffs that are not suitable for immediate consumption, (such as a basket containing assortments of tinned fish, condiments, sauces, mustards, vinegars, cheeses, fruits and similar products), is subject to the rules for gift baskets contained in paragraph 164 of this memorandum.

4.3 Basic Groceries

Dispensed beverages

Beverages dispensed at place where sold
Sch. VI, Part III,
para 1(o.4)

120. Beverages dispensed at the place where they are sold are taxable. This includes servings of all beverages such as milk, coffee, tea and ice tea, hot chocolate and juice when dispensed where supplied, regardless of size and whether hot or cold. However, refer to paragraphs 35 to 38 of this memorandum for information on supplies of unbottled water.

Catered food and beverages

Catering services
Sch. VI, Part III,
para 1(o.5)

121. The supply of all food or beverages sold under a contract for, or in conjunction with, catering services is taxable.

Definition of
“catering”

122. The Act does not provide a definition of “catering”. However, the CRA considers a caterer to be a person who, at the direction of the customer, supplies prepared meals (including buffet style) or other food or beverages and delivers the order to the premises designated by the customer where the food may be arranged, heated or served by the supplier. Generally, the food is prepared or partially prepared at a site other than the site where consumption will occur. However, catering also includes situations where the caterer provides the raw ingredients and possibly certain amenities, but prepares the food at the premises of (or designated by) the customer where consumption occurs. The CRA makes no distinction between the provisions of “catering” and “catering services” since catering is synonymous with the act of providing a catering service.

Catering service indicators

Not known as a
caterer

123. Where a person is known (advertised) as a caterer, the services provided to a customer would normally be catering. However, where a person is not known (advertised) as a caterer or there is doubt as to whether catering is being provided, the facts of the situation should be reviewed in conjunction with the following guidelines indicating that catering is being provided:

Catering indicators

- The food or beverages are processed or arranged to the customer's specification after the order is placed. When the food or beverages are supplied to the customer it is in a form that can be consumed either immediately or after it is warmed.
- The consideration paid by the customer is based on a per person or per serving charge.
- The food or beverages are delivered to or on behalf of the customer.
- The food or beverages are supplied with some or all of the necessary amenities for either serving or consuming the food or beverages.

124. These indicators are to be applied in a flexible manner on a case-by-case basis. No one indicator is more important than another, and not all have to be fulfilled. The respective weight of each indicator should be determined according to the facts of each case. Moreover, in a specific case, it may be apparent that a particular indicator is overwhelmingly more important than the others. These indicators are discussed in detail in paragraphs 126 to 131 of this memorandum.

Frozen foods	125. The catering indicators in paragraph 123 of this memorandum are not intended to capture food that is supplied to the customer frozen and must be defrosted, heated or cooked before serving. Such frozen foods are regarded as not being intended for immediate consumption. The supply of only frozen meals is not within the meaning of paragraph 1(o.5) of Part III to Schedule VI. Where other prepared food is being provided in addition to the frozen food, catering services have been supplied, and the supply of the frozen food would become taxable at 5% and 13% as it has been made “in conjunction with catering services.”
Example	A caterer transports frozen food and raw ingredients to the location where it is to be served. The caterer then prepares the food for consumption at the site. If the other indicators are present, this is catering. If, however, it is determined that catering services have not been provided, it is possible that other provisions of the Act would apply to the facts that may cause the activity to be taxable.
Indicator 1: Food or beverages processed or arranged after the order is placed	126. The processing or arranging of food or beverages includes cooking, heating, preparing, or arranging food or beverages by the supplier. This indicator is intended to capture situations where the order is prepared to the customer's specifications, and all or substantially all of the resulting food can be eaten either immediately or after being warmed. No other processing of the food or beverages by the customer should be necessary.
Example	The cutting or marinating of a piece of beef to a customer's specifications by a butcher would not, by itself, be considered catering. Similarly, this indicator is not fulfilled where the only action taken by a supplier is to package food after a customer has placed an order; for example, placing doughnuts in a box for the customer. However, placing the doughnuts on a serving platter could possibly constitute catering where the doughnuts are “arranged on the platter” by the supplier.
Indicator 2: Consideration based on a per serving/person charge	127. The charge for catering should be based on the number of servings of food or beverages to be supplied (i.e., a charge for “assorted appetizers for 12”, a charge for a “table d’hôte meal”, or a charge for “coffee for 20”). Where items are selected individually from a menu, the charge is considered to be on a per person or per serving basis. A charge that is based on the mass or volume of food or on the number of pre-packaged quantities (i.e., a charge for one kilogram of shepherd's pie, five litres of coffee or two dozen dinner rolls) does not fall within the meaning of this indicator.
Extra charges	128. When applying this indicator, it does not matter if there are extra charges for such things as delivery, set-up, servers, bar service, linen services, clean up, gratuities, etc. As long as the charge for the food or beverages is based on a per person or per serving amount, then this indicator is satisfied. 129. In some instances, the meeting room or hall may be supplied by the caterer either as an element of the all-inclusive charge for the food consumed or as an extra charge. Such facilities, and the extra charges (described above), are part of the overall provision of a catering service.
Indicator 3: Delivery to or on behalf of the customer	130. One of the indicators of a catering contract is that the food or beverage is delivered to the customer, or a place specified by the customer. Normally, delivery is made shortly before the food is to be consumed, so that the food is not stored on the recipient's premises for any considerable length of time. Where a company offers a particular product and it is the normal practice of the company to deliver food or beverages to the customer, this indicator is satisfied even if some customers pick up the product(s).

4.3 Basic Groceries

Indicator 4: Amenities for serving or consuming the food or beverages are supplied	131. Another indicator of a catering contract is that some or all of the necessary amenities for either serving or consuming the food or beverages are supplied with the food or beverages. Amenities for serving or consuming the food or beverages may include such things as cocktail picks, cutlery, dishes, glassware, serving utensils, serving bowls, trays, serviettes, or napkins. Food arranged for aesthetic purposes on a serving platter (a “party platter”) would be regarded as having been supplied with an amenity. Such amenities do not include, however, a disposable container that the food was delivered in, even if the food may be consumed directly from the container, such as a carton containing Chinese food. In applying this indicator, it does not matter whether or not there is a separate charge for the supply or use of the amenities.
Caterer not supplying a catering service	132. Not every supply made by a caterer is a catering service. For example, some caterers operate retail stores that sell precooked cold or frozen foods. In this situation, the customer buys stocked prepared food items and takes them home, where the food is subsequently heated before being consumed.
Non-caterer supplying a catering service	133. Conversely, a supply made by a non-caterer may fall within the definition of catering services. If, for example, a grocery store prepared platters of cold cuts and cheese and delivered these to a person's home with the amenities for serving the food, the grocery store might be considered to be supplying catering services in that instance.
Example 1 Not catering – zero-rated	<p>At the request of a customer, a grocery store makes an uncooked vegetarian pizza and delivers it to the customer. The pizza costs \$6.99 and there is a \$1.50 delivery charge. The pizza can be eaten after cooking it in the oven for 10 minutes.</p> <p>The preparation and delivery of an uncooked pizza is not considered to be catering and is therefore zero-rated.</p> <p>Although the pizza is prepared to the customer's specifications after the order is placed, the pizza cannot be consumed in the uncooked state in which it is delivered. The charge is a flat charge for the pizza, and is therefore not based on the number of servings provided. The food is not supplied with any of the amenities needed for serving or consuming the food. Although the pizza is delivered, the remaining criteria suggest that the preparation and delivery of an uncooked pizza is not catering.</p>
Example 2 Catering – taxable	<p>A restaurant is asked to deliver two dozen assorted doughnuts and an urn of coffee to a customer's place of business. The customer is charged more than the takeout price for the doughnuts and similarly more than the equivalent of the regular price for the coffee. The customer is also charged an additional fee that covers the delivery of the doughnuts and coffee, provision of napkins, cups, stir sticks, sugar and creamers, and pick-up of the urn after the customer is finished. The doughnuts are delivered on a large disposable platter. The restaurant does not promote itself as a caterer, but it does operate a takeout service that includes, at the customer's request, the services described above.</p> <p>The delivery of doughnuts and coffee is considered to be catering and is taxable. The coffee is prepared specifically for the customer after the order is placed. The restaurant also arranges the doughnuts on the disposable platter and the food can be consumed immediately upon delivery to the customer. The charge for the doughnuts is not the same amount that would be charged to a customer buying two dozen doughnuts in the restaurant. This differential pricing implies there is an additional cost recovery for the special treatment that this order is given by the restaurant but the charge is not levied on a per person basis. The charge for the coffee is a flat charge for an entire urn, and is therefore not based on the number of servings provided. The food is delivered to or on behalf of the customer and is supplied with most if not all of the amenities needed for serving or consuming the food. Based on the above facts, catering is being supplied.</p>

Example 3

Grocery order not catering – mixed supply

A grocery store offers a service where a customer can order supplies for a barbeque party and have them delivered. After receiving an order, the grocery store removes the items from its retail shelves. A usual order consists of cans of soft drinks, condiments (i.e., ketchup, mustard, relish), hamburger and hot dog buns, hot dogs and uncooked hamburger patties, and single serving ice cream cups. The grocery store also prepares and packs fresh hamburger patties from the meat counter. The store then packs an appropriate amount of barbeque party supplies for the amount of food and drinks in the order (disposable dishes, cups, cutlery, table clothes, and napkins) based on the number of people who are attending the party. Substitutions and changes to the standard supplies are permitted. There is no separate delivery charge.

This service is not considered to be catering. The store is supplying both taxable (i.e., canned drinks, ice cream cups, amenities) and zero-rated grocery items (i.e., condiments, hamburgers, hotdogs) and delivering them. The food is not prepared for the customer to the customer's specifications and it requires preparation and cooking before it can be consumed. Although the grocery store provides some amenities with the order, the customer must provide other items such as serving platters, a coffee urn, etc. The store is providing grocery items as opposed to a catering service.

Food or beverages sold through a vending machine

Sch. VI, Part III, para 1(p)

134. Supplies of food and beverages sold through a vending machine are taxable (subject to the exceptions described in paragraph 135 below). This includes food or beverages that are normally zero-rated when not purchased through a vending machine such as a single serving of unflavoured white milk or an apple.

Exceptions ss 165.1(2) and Sch. VI, Part III, para 2

135. If a foodstuff or beverage is supplied from a vending machine for a single coin of 25 cents or less, the tax is calculated to be zero. Also, where unbottled water is dispensed from a vending machine in quantities of greater than a single serving, it is zero-rated as discussed in paragraph 37 of this memorandum.

Other sales in establishments

Sch. VI, Part III, para 1(q)

136. Supplies of food or beverages when sold at an establishment at which all or substantially all of the sales of food or beverages are sales of food or beverages included in any of paragraphs 1(a) to 1(p) of Part III of Schedule VI are taxable except where:

- the food or beverage is sold in a form not suitable for immediate consumption, having regard to the nature of the product, the quantity sold or its packaging, or
- in the case of a product described in paragraph 1(m) of Part III of Schedule VI,
 - the product is pre-packaged for sale to consumers in quantities of more than five items each of which is a single serving, or
 - the product is not pre-packaged for sale to consumers and is sold as single servings in quantities of more than five,
 and is not sold for consumption at the establishment.

137. Products described in paragraph 1(m) of Part III of Schedule VI are cakes, muffins, pies, pastries, tarts, cookies, doughnuts, brownies, croissants with sweetened filling or coating, or similar products, but not bread products such as bagels, English muffins, croissants, or bread rolls that do not have sweetened fillings or coatings. For more information on sweetened goods and similar products see paragraphs 87 to 100 of this memorandum.

4.3 Basic Groceries

- Establishment 138. “Establishments”, for the purposes of this provision, are considered by the CRA to be providers of prepared food or beverages whose sales of taxable food and drink constitute all or substantially all (90% or more) of their sales. Examples include:
- restaurants and drive-in restaurants
 - fast food outlets or “quick service” outlets
 - takeout and home delivery outlets
 - pubs, taverns, bars and lounges
 - cafeterias and dining rooms
 - lunch counters, coffee shops and snack bars
 - mobile canteens
 - catering services
 - hotels, motels and lodging houses
 - private or social clubs, and similar places or establishments where prepared food products are provided
 - convention centres
 - sports arenas and stadiums
 - meeting halls and union halls
 - Royal Canadian Legion halls
 - passenger transportation vehicles of any type wherein food and/or beverages are provided for a separate consideration
 - any eating facility within a business entity, for example, a lunch counter within a retail department store
- Separate eating establishment 139. Where an eating facility within another legal entity operates in the manner described in paragraph 136 of this memorandum, this eating facility is considered to be a separate entity, and is considered to be an eating establishment for purposes of paragraph 1(q) of Part III of Schedule VI.

Special Cases

Salt

140. The supply of salt that is in a raw state as extracted from a mine or brine well is taxable throughout the production chain until the point where it is packaged for sale for human consumption. For example, table salt, salt for curing fish and pickling salt are zero-rated basic groceries.

141. Supplies of salts that are ingredients in food or beverages, and that also have industrial applications (such as water softening), are zero-rated regardless of the purchaser's proposed use of the product, when supplied in the same packaging and form as when supplied for human consumption.

142. Supplies of salts solely for industrial applications such as de-icing salt for roads and salt for industrial water softening are taxable if packaged for such uses.

Other multi-use goods with applications as ingredients for food or beverages for human consumption

Sch. VI, Part III,
s 1

143. Supplies of ingredients to be mixed with or used in the preparation of food and beverages for human consumption are zero-rated.

144. Many products have uses as ingredients for food or beverages for human consumption. These same products may also have non-food or non-beverage uses. Such multi-use ingredients are zero-rated when supplied as ingredients for human consumption. When the product is supplied for a non-food use in the same packaging or form (e.g., in bulk) as when supplied for food or beverage uses, the supply is also zero-rated. When a good is packaged and promoted for non-food uses only, the supply is taxable.

Example

Food grade starch may be used in the manufacture of non-food items. The supply of bulk food grade starch is zero-rated when it is in the same packaging or form as when supplied for food uses. Packaging is important in determining the tax status of supplies.

145. Supplies of the following food additives: ethyl alcohol and other alcohols, and supplies of propane and carbon dioxide (CO₂) are not zero-rated as ingredients for basic groceries.

Products consumed by cultural groups

146. Products which are not generally recognized as food or beverages in Canada, which are consumed as food or beverages by cultural groups, are considered zero-rated basic groceries unless the food or beverages are specifically excluded from zero-rating under the provisions of paragraphs 1(a) through 1(r) of Part III of Schedule VI. However, the products must be consumed as basic grocery items for nourishment (as opposed to products consumed for actual or perceived medicinal properties).

Vitamins, minerals and additives used in the manufacture of basic groceries

147. Vitamins, minerals and additives sold for use in the manufacture of food or beverages for human consumption, such as vitamins purchased by a manufacturer for use as ingredients in breakfast cereal, are zero-rated as ingredients for food or beverages for human consumption.

Dietary supplements

Description

148. Products commonly referred to as dietary supplements are consumed for their therapeutic or preventative effects (e.g., to correct actual or perceived health problems), or to achieve specific beneficial effects related to performance or physique. This also includes products that are labelled or marketed as products to be consumed primarily to facilitate the intake of ingredients that place an emphasis on such claims. Products commonly referred to as dietary supplements are not considered to be basic groceries and are not within the scope of section 1 of Part III of Schedule VI. As such, these products are taxable.

149. The term “basic groceries” refers to food, beverages and ingredients. Food and beverages are usually consumed by an average person to sustain or maintain life, to allay hunger or thirst, or for enjoyment. Ingredients add to the flavour, texture or appearance of the final product. Please refer to paragraphs 2 to 4 of this memorandum for additional information on the meaning of food, beverage and ingredient.

4.3 Basic Groceries

	<p>150. Dietary supplements may be made from natural or synthetic ingredients and include products such as vitamins, minerals, tonics, fibre, protein, amino acids, fatty acids, enzymes, herbal supplements, or compounds derived from plant or animal products. Dietary supplements are available in various forms including, but not limited to, tablet, pill, capsule, powder, liquid, gel, wafer and concentrates. Examples of dietary supplements include alfalfa, yeast, ginseng, lecithin, bee pollen, seaweed and fibre whether in tablet, pill, capsule, powder, granulated or liquid form.</p>
Example	Tonics such as cod liver oil taken for their general health benefits are taxable.
Vitamins and Minerals	<p>151. In general, vitamins and minerals are considered to be dietary supplements and are taxable. However, some vitamins and minerals may be zero-rated under Part I of Schedule VI. Refer to GST/HST Memorandum 4.1, <i>Drugs and Biologicals</i>, for more information on these vitamins and minerals. Vitamins and minerals for use in the manufacture of basic groceries are zero-rated. Refer to paragraph 147 of this memorandum for additional information on vitamins.</p>
Substandard grade	<p>152. The sale of substandard grade vitamins and minerals, not suitable for human consumption, is also taxable.</p>
Tablet, pill, capsule form	<p>153. Products in tablet, pill, capsule, or similar form are not considered to be food as they are usually represented as having a beneficial or therapeutic purpose. These products are taxable.</p>
Example	Sweetened medicated throat lozenges are consumed for their purported beneficial effects on symptoms related to a sore throat. However, those lozenges would not be considered by the average consumer to be food. In a similar fashion, many other flavoured or sweetened products that may have a pleasing taste would not be considered by the average consumer to be a food or beverage. Therefore, although these products are pleasant tasting, they do not fall within the meaning of “food” for purposes of Part III of Schedule VI.
Powdered or granulated form	<p>154. Powdered or granulated products that are added to, or mixed with, a food or a beverage and that are consumed for their beneficial or therapeutic effects are not, in and of themselves, considered to be food, beverages or ingredients.</p>
Example	Powdered fibre is marketed for its beneficial effects and is added to a glass of juice, milk or water as a means of ingesting it. This product would not be considered an ingredient to be mixed with or used in the preparation of a beverage and is therefore taxable.

Labelling, packaging and marketing criteria

Criteria	<p>155. Among other factors, the CRA will consider the labelling, packaging and marketing of a product to determine whether an average consumer would consider it to be a dietary supplement rather than a food, beverage or ingredient. It should be noted that no one factor is determinative of the nature of a product and changes in the labelling, packaging and/or marketing would not necessarily result in a change in status.</p>
Labelling	<p>156. A product with a label that displays one or more of the following would generally be considered a dietary supplement rather than a food, beverage or ingredient:</p> <p>(a) Identification as a “dietary supplement” or “supplement”.</p> <p>Although not determinative in itself, such an identification may be an indication that the product is consumed for the purpose of enhancing or improving a person’s state of health and not as a food, beverage or ingredient.</p>

- (b) Claims that the product
- has a therapeutic or preventive effect,
 - enhances mental or physical performance, or
 - enhances physique.

For example, “Protein Product X builds muscle mass” or “Product Y will boost your immune system” or “Product Z prevents muscle aches and pains” or “Product P will help define your abdominal muscles”. Note that general health claims, such as “studies have found that a diet high in fibre is a factor in the maintenance of good health” on a label of a food high in fibre would not be considered a claim for a therapeutic or preventive effect.

- (c) Emphasis on particular nutrient(s) not commonly regarded by a consumer as an ingredient (e.g. whey protein isolate).

The CRA would consider that the nutrient is emphasized if the name of the nutrient is prominently displayed on the label. Advertising material as to the purity or superior source of the nutrient would also indicate an emphasis on that particular nutrient. However, when a label contains general nutrition information or information that a product is fortified with particular vitamins and minerals, or that it is a source of protein, that alone will not exclude a product from being zero-rated. While some products may only indicate the nutrient(s) on the label, manufacturer’s literature near the product or information on the manufacturer’s Web site may indicate that the product is to be consumed for its therapeutic or beneficial effects or to enhance mental or physical performance. For example, products that would fall under this category would include products that purport to help rebuild strength, build endurance, build muscle mass, increase energy or improve health.

- (d) Claims that the product will promote weight loss (e.g., the product has a thermogenic effect).
- (e) Pictorial representations or product names that would lead a consumer to conclude that the principal purpose for consuming the product is for a therapeutic or preventive effect, to enhance mental or physical performance or to promote weight loss.
- (f) Restrictions related to the amount to be consumed.

A product that is labelled for restricted consumption (e.g., only a certain number of teaspoons are to be taken daily) or with specific frequencies or quantities of dosage would not be considered to be a food or beverage.

- (g) Warnings as to who should not consume the product.

For example, the product should not be consumed, or should only be consumed in restricted amounts, by pregnant women or children under 16 years of age.

- (h) Identification by the health care community or dietary authorities that there is a potential general health risk associated with the consumption of a particular element found in a product.

Where such a health risk is identified, the product would generally not be considered to be a food or beverage by an average consumer. However, a caution by an authority that a particular product should only be consumed in moderation or an allergy advisory that a product may contain traces of nuts, for example, would not be considered to be a caution about a general health risk.

4.3 Basic Groceries

- (i) A caution as to how the product is to be “taken” or that it is to be “taken as directed by a physician”.
- (j) Instructions advising oral absorption (e.g. held under the tongue).
- (k) A Drug Identification Number (DIN), a Homeopathic Medicine Number (DIN-HM), or a Natural Product Number (NPN).

Although not determinative in itself, the presence of a DIN, a DIN-HM, or a NPN may be an indication that the product is promoted and consumed for its beneficial effects. However, the absence of such a number does not necessarily mean that a product is considered to be a “food”, a “beverage”, or an “ingredient”.

- (l) A listing of active or medicinal ingredients.

Often when a product is positioned as a dietary supplement, the label will list separately those components that are considered “active” (i.e. considered to contribute to a therapeutic effect) and “non-active” ingredients (i.e., those which do not contribute to a therapeutic effect).

Packaging/Form

157. A product that is packaged in pill, tablet or capsule form or packaged in a form not commonly associated with foodstuffs (e.g., liquids in droppers, or gels in tubes) would generally be considered a dietary supplement rather than a food, beverage or ingredient. This does not include some products commonly considered food that are often imported and sold as concentrated pastes (e.g. anchovy or tomato paste) in tubes.

158. Where the focus is on the benefits of the product, rather than the form per se, this is an indication that the product would be considered a dietary supplement rather than a food, beverage or ingredient. For example, a manufacturer may offer an algae product in both pill and liquid form. Although a person may prefer a particular form for ease of consumption, the primary focus continues to be on the expected health benefits of ingesting the algae and not the form. Therefore, algae in liquid form would not be considered a “beverage”.

Marketing

159. A product marketed in any of the following manners would generally be considered a dietary supplement rather than a food, beverage or ingredient:

- The product is not available in grocery stores, markets, specialty food stores or in direct sales food catalogues. The product is available in specialty vitamin stores or nutrition centres or is placed among non-prescription drugs and/or cosmetics and not with commonly recognized food or beverages in health food stores, pharmacies or large department stores.
- Where the product is advertised in a direct sales catalogue it is with products that are neither food, nor beverages, nor ingredients.
- The advertising, whether through print or electronic media (e.g., the Internet), or through information placed in stores, includes claims related to purported beneficial effects such as those mentioned in paragraph 156 of this memorandum.
- The product is compared to other products that are not considered to be food, beverage or ingredients. For example, where an advertisement for a particular product available in powder form, includes a comparison to a similar product available in pill or tablet form, the comparison to products in those forms may indicate that the powdered product is a dietary supplement and not a food, beverage or ingredient.

<p>Example 1</p> <p>Not an ingredient – taxable</p>	<p>Protein Isolate and Phosphate Compound is a powdered combination of protein isolates and phosphate compounds. The product comes in strawberry, vanilla and chocolate flavours. It is labelled, marketed and promoted as a bodybuilding dietary enhancement. Product literature states that the product provides additional energy to muscle tissue to enhance the building of muscle mass. The product label states that for best results one should mix 125 mL (1/2 cup) of Protein Isolate Phosphate Compound with 500 mL of milk and consume 30 minutes before a workout. The resulting mixture has an appearance, texture and taste similar to that of a milkshake. The product label advises consumers to consult their medical practitioner prior to use of the product. The product is supplied in health food stores as well as in traditional food outlets.</p> <p>Protein Isolate and Phosphate Compound is not considered to be an ingredient to a beverage and, therefore, is not zero-rated under section 1 of Part III of Schedule VI.</p> <p>The fact that Protein Isolate and Phosphate Compound is mixed with milk and ingested into the body by drinking does not mean that it is an ingredient used in the preparation of a beverage; rather, it is added to milk as a means of ingestion.</p> <p>Protein Isolate and Phosphate Compound is labelled, packaged and marketed as a dietary supplement to enhance a consumer's bodybuilding. It is consumed primarily because of its purported physiological effects as a protein supplement and muscle-builder. Although the final product may have a pleasant taste, an average consumer would not purchase this product as a food or beverage.</p>
<p>Example 2</p> <p>Beverage ingredient – zero-rated</p>	<p>Ground Roasted Seeds of Evergreen is the ground, roasted seed of a subtropical evergreen plant. The product is prepared by infusing the ground seeds with hot water and filtering the flavoured liquid prior to consumption. It includes a stimulant that increases alertness, however, it is not marketed or promoted on this basis. This product is also sold with the stimulant removed.</p> <p>Ground Roasted Seeds of Evergreen is marketed, promoted, and advertised as a pleasant, flavourful warm drink. It does not have any restrictions related to consumption on its label although health advisories or precautions have been issued recommending that the stimulant be consumed in moderation. Ground Roasted Seeds of Evergreen is generally sold in grocery stores.</p> <p>Ground Roasted Seeds of Evergreen is zero-rated under section 1 of Part III of Schedule VI to the Act. It is an ingredient used in the preparation of a beverage since the product is used to prepare a drink that is recognized by average consumers as a beverage. The product is marketed in a manner similar to other products that, when added to water or milk, are consumed by the average person as a warm beverage. Generally, consumers consume this product for enjoyment and not for any purported physiological effect. Although it contains a stimulant, the product is not labelled or marketed on this basis. Rather, it is sold as an ingredient to make a pleasing warm drink. Finally, this product does not carry any health advisories or precautions, which would lead an average consumer to conclude that it was not a beverage.</p>
<p>Example 3</p> <p>Food ingredient – zero-rated</p>	<p>Mediterranean Pressed Olive Oil is a blend of organically grown olive oils from Greece, Italy and Spain. It is sold through health food retailers. The product is sold in small 250 mL (8 oz.) bottles. The label states that the oil is ideal as a cooking oil or as a massage oil.</p> <p>Mediterranean Pressed Olive Oil is zero-rated under section 1 of Part III of Schedule VI. Despite the fact that the product can be applied externally, it is labelled, packaged, and marketed in a manner similar to other cooking oils. A consumer would consider Mediterranean Pressed Olive Oil to be a food ingredient.</p>

4.3 Basic Groceries

Example 4

Basic grocery – zero-rated

Fyber is sold in the breakfast cereal section of grocery retailers. It is labelled, packaged and marketed as a breakfast cereal. That is, the emphasis on the label and related marketing material is as a breakfast cereal and not on any particular beneficial health effect. Fyber is composed of various grains and is fortified with vitamins and minerals. It may be eaten alone or added to other goods as desired. The label suggests sprinkling Fyber on other food such as yoghurt or fruit to increase one's fibre intake. Fyber is labelled as an excellent source of dietary fibre. The label states that "Fyber eaten regularly will improve your inner health". It can be used in baking muffins (a recipe is provided on the box).

Fyber is zero-rated under section 1 of Part III of Schedule VI. It is labelled, packaged and marketed in a manner similar to other breakfast cereals so that a consumer would consider Fyber to be cereal. Although Fyber may be used as an ingredient and has a general statement on its label concerning a health benefit, it is regarded as a breakfast cereal.

Example 5

Not a beverage ingredient – taxable

Fibre Mix is a naturally flavoured powdered fibre mix. It is available in three flavours: orange, vanilla and lemon. The product is available in two sizes, 454 grams and 1.36 kilograms. The label indicates that the main ingredient is psyllium. It also contains various herbal non-medicinal ingredients and flavourings, which are separately identified and which vary depending on the particular flavour of the product.

The label indicates that an adult should start with one teaspoon twice a day. The amount can be increased gradually over three to four weeks to the recommended daily optimal intake. This optimal intake can vary between one and two tablespoons, depending on the weight of the person taking the product. Children under the age of 16 are to take the product at half the rate listed for the smallest adult. Pregnant or lactating women are advised to consult their health practitioner prior to taking this product. The product is to be used initially for a period of two months after the optimal daily intake is reached in order to cleanse the system. Afterwards, a maintenance daily intake of half of the optimal daily amount is recommended.

A serving of Fibre Mix is to be mixed, using a blender, in six or eight ounces (180 mL to 240 mL) of water or juice. The mixture should be drunk immediately after preparation and 20 minutes before a meal. If the consumer is having more than three eliminations a day, the servings should be reduced to one a day. As part of the program, eight glasses of water each day should be drunk.

The manufacturer's Web site states that using herbal supplements, often in conjunction with other methods, is one of the most popular ways to cleanse the body. The manufacturer claims that psyllium has over eight times the bulking power of oat bran and that psyllium is approximately 75 – 80% dietary fibre, 60 – 70% of which is soluble fibre. They also claim that the herbs in Fibre Mix create powerful detoxification effects. Fibre Mix is marketed as a convenient, easy-to-use powder that produces effective detoxification effects.

To preserve the potency and effectiveness of the herbs in the product and because of the bulking effect of psyllium, it is recommended that the product be mixed immediately before drinking. The product should not be prepared ahead of time and should be stored in the refrigerator.

Fibre Mix is taxable. Fibre Mix is not considered to be an ingredient. An average consumer would not view this product as an ingredient since the product is not integral and necessary to the flavour, texture or appearance of a final product, which in and of itself would be considered to be a food or beverage by an average consumer. Although the product is mixed with fluids and consumed by drinking, the resultant blend is not considered to be a beverage.

The product label has recommendations for use based upon the tolerance of consumers' metabolisms and their body mass. The recommended adult usage is increased gradually over an initial period. Furthermore, the product label states, "For best results, drink 20 minutes before a meal" rather than as part of a meal. This suggests that the product is consumed for its beneficial effects.

An average consumer would conclude that the product was not an ingredient because many of the ingredients found in the product have therapeutic properties and, on their own, are taken for their beneficial effects on the digestive system. The product label differentiates between "Ingredients" and "Non-Medicinal Ingredients" which indicates that the product is consumed for its beneficial effects.

Example 6

Not a beverage
ingredient –
taxable

Shark Cartilage is 100% powdered shark cartilage. It is sold in orange, lemon-lime and vanilla flavours. An individual serving consists of 15 mL (one tbsp) of the product mixed with 300 mL (10 oz.) of water or juice prior to consumption. The label for Shark Cartilage suggests the consumer not exceed three servings per day, that it be taken to maintain proper bone and joint health, and includes a restriction that the product should not be consumed by pregnant women, children, or individuals who have recently undergone surgery. The manufacturer's Web site claims that medical research is being conducted into the benefits of shark cartilage in inhibiting tumour-based cancer and metastasis.

All supplies of Shark Cartilage are taxable. The product is labelled and marketed on the basis of its beneficial effects related to bone and joint health.

A caution appears on the label that the product must be consumed in restricted amounts.

As a result, although Shark Cartilage is mixed with a liquid, it does not form a "beverage" as the resultant mixture would not be recognized by an average consumer as a beverage. The addition of the product to liquid is merely a means of consuming the powdered cartilage. Therefore, the product is not considered an ingredient used in the preparation of a beverage.

Example 7

Not a beverage –
taxable

Drink-a-Min is a product made with fruit juices from concentrate and is fortified with 15 minerals and vitamins. It comes in four fruit flavours, packaged in 300 mL containers and sold in shrink-wrapped multiples of six containers. It is also available in 1L and 2L containers. The packaging states that the product is identified as a mineral and vitamin supplement. The product is not labelled as a juice or a beverage. The labelling notes the fact that the product contains 15 minerals and vitamins, and there is a recommended daily dose. The product has a DIN, and the label lists the "active" ingredients and "non-medicinal" ingredients separately, indicating the amount of each active ingredient.

Drink-a-Min is taxable. Although some of the criteria indicate that it is a beverage, weighing the relevant importance of the criteria in the context of this product indicates that on balance it is not a beverage for purposes of section 1 of Part III of Schedule VI. Drink-a-Min is not marketed in the same manner as a regular fruit juice. The labelling of the product as a mineral and vitamin supplement shows that the form, a fruit juice, is a means of consuming the minerals and vitamins contained in the drink. Although it makes no health claims, it is not drunk simply to sustain or maintain life, to allay thirst, or for enjoyment. While it could be used to quench thirst or for enjoyment, these uses are in addition to its primary purpose, which is to provide a means to consume minerals and vitamins. Other factors that indicate the product is not a beverage are the fact that there is a recommended daily dosage, the product has a DIN, some of the ingredients are listed as active ingredients and the product name draws attention to the active ingredients.

Example 8

Not a beverage
ingredient –
taxable

EPG Compound contains the liquid herbal extracts of Echinacea, Propolis and Goldenseal. It is available in 60 mL (two fl. oz.) dropper bottles. It is marketed and promoted as a cold and flu inhibitor and preventative tonic. The product label states that "at the first sign of infection take four to six drops in a little warm water. Continue dose three to four times per day for three to five days or until symptoms have subsided." Promotional literature for the product states that it is "useful in the treatment of colds and flu. It can also be taken as a preventative tonic for persons who are easily susceptible to colds."

EPG Compound is taxable. It is not a beverage nor is it an ingredient, as it is consumed for its beneficial effects of easing or preventing the symptoms of a cold and the flu. This is evident in that the product is consumed in dosages (by the drop) and is packaged in a manner similar to a drug (dropper bottles).

4.3 Basic Groceries

Meal replacements and nutritional supplements

Meal replacements and nutritional supplements

160. Meal replacement products, nutritional supplements and formulated liquid diet products that qualify as meal replacements, nutritional supplements (and not dietary supplements), and formulated liquid diet products under the *Food and Drugs Act* and Regulations are considered to be zero-rated basic groceries. All supplies of meal replacements, nutritional supplements and formulated liquid diet products are zero-rated except when sold from a vending machine.

161. With respect to requests for rulings on such products, if a product is represented as being a meal replacement, nutritional supplement or formulated liquid diet product as evidenced by the label, the CRA will accept this information as fact in determining its tax status. However, after a ruling has been issued, if it is determined that a product is in fact not a meal replacement, a nutritional supplement, or a formulated liquid diet product, the ruling will not be valid in accordance with GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*.

Energy bars and protein bars

162. Energy bars and protein bars that qualify as meal replacements or nutritional supplements are zero-rated except when sold from vending machines. Supplies of other energy bars and protein bars are generally taxable as discussed in paragraphs 52 to 54 of this memorandum.

Mixed supplies of zero-rated basic groceries and taxable products

General

163. The tax status of a single supply comprising one or more elements that would be zero-rated and one or more elements that would be taxable if sold separately will depend on the nature and characteristics of the particular supply. For instance, a combination of peppercorns and a peppermill would be taxable because the greater part of the value would be for the peppermill. Registrants are advised to contact a GST/HST Rulings Centre to determine the tax status of such supplies.

Gift baskets

164. When all or substantially all (e.g., 90% or more) of the value of the supply of a gift basket is zero-rated, the tax status of the supply is zero-rated. Conversely, when the value of the component parts, each of which is taxable, exceeds 10% of the total value of the supply, the supply is taxable. For example, if the value of the taxable goods in the gift basket (including the value of the decorative basket itself) exceeds 10% of the value of the total supply, the supply is taxable. Decorative baskets used in creating gift baskets are not considered to be usual coverings or containers for purposes of section 137 of the Act.

Lunch combinations

165. Lunch combinations are designed and promoted as pre-packaged lunch kits for children. A lunch combination contains a variety of foods and perhaps a beverage that are not mixed together but are packaged together in a single container. Typically, the container is moulded plastic with compartments to keep the various ingredients separated. Lunch combinations may contain products that, if sold separately, could be zero-rated or taxable.

Snack combinations

166. Snack combinations also contain a variety of foods with different tax status that are not mixed together but are packaged together in a single container with compartments. They most often consist of a baked product such as a cracker or cookie along with a spreadable product (e.g. cheese, peanut butter, fruit flavoured dip, pudding).

167. A supply of a lunch combination or a snack combination generally does not fall within any of the exclusionary paragraphs 1(a) through (r) of Part III of Schedule VI. Accordingly, supplies of lunch combinations and snack combinations are generally zero-rated supplies of food.

Packages containing similar foods or beverages

168. Generally, where a package of multiples of similar foods or beverages contains more than 50% otherwise zero-rated goods, the supply of the package will be zero-rated. Where a package of multiples of similar foods or beverages contains 50% or less otherwise zero-rated goods, the supply of the package will be taxable at 5% GST or 13% HST, as applicable.

ENQUIRIES

If you wish to make a **technical enquiry** on the GST/HST by telephone please call one of the following toll-free numbers:

1-800-959-8287 (English service)
1-800-959-8296 (French service)

General enquiries about the GST/HST should be directed to Business Enquiries at one of the following toll-free numbers:

1-800-959-5525 (English service)
1-800-959-7775 (French service)

If you are in Québec, please call the following toll-free number:

1-800-567-4692 (Revenu Québec)

All of the memoranda in the GST/HST Memoranda Series are available on the CRA Web site at www.cra-arc.gc.ca