



## Application of the GST/HST to the Practice of Naturopathic Doctors

The information in this publication does not replace the law found in *the Excise Tax Act* (the Act) and its regulations; it is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any GST/HST rulings centre for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*, explains how to obtain a ruling and lists the GST/HST rulings centres.

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 14% in Prince Edward Island and 15% in Nova Scotia. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, see GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province*.

If you are located in Quebec and wish to request a ruling related to the GST/HST, please contact Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec website at [www.revenuquebec.ca](http://www.revenuquebec.ca) to obtain general information.

### Table of Contents

Background.....	2
Meaning of significant terms used in this publication.....	2
GST/HST exemption for naturopathic services.....	3
First condition – supply of a naturopathic service.....	3
Second condition – rendered to an individual by a practitioner.....	4
Rendered to an individual.....	4
Rendered by a practitioner of the service.....	4
Practises the profession of naturopathy as a naturopathic doctor.....	5
Licensed to practise the profession of naturopathy.....	5
Equivalent qualifications.....	6
Third condition – qualifying health care supply.....	6
Fourth condition – not a cosmetic service supply.....	8
Other exemptions from the GST/HST.....	8
Expenses incurred in rendering a naturopathic service.....	8
Diagnostic tests.....	10
Sale of products.....	11
Other charges.....	11
Place of supply.....	11
Practice variations.....	12
Supplies of naturopathic services made through corporations.....	12
Fee sharing.....	13
Supply of naturopathic services versus other services.....	13
Registration for the GST/HST.....	14
Input tax credits.....	14
Supplies made after February 11, 2014.....	15
Capital personal property.....	15

La version française de la présente publication est intitulée *Application de la TPS/TVH aux activités des docteurs en naturopathie*.



---

Capital real property .....	16
Services and non-capital property .....	19
Adjusting a previously filed GST/HST return .....	19
Cancellation of GST/HST registration.....	19
Capital and non-capital property .....	20
Services, rent and royalties.....	20
Reporting periods .....	21
Tax paid in error.....	22

## Background

This technical information bulletin explains how the goods and services tax/harmonized sales tax (GST/HST) applies to supplies of services and products made by a naturopathic doctor practising the profession of naturopathy.

All legislative references are to the *Excise Tax Act* (the Act) unless otherwise specified.

Historically, various health care services rendered by health care practitioners listed in Part II of Schedule V have been exempt from GST/HST. Naturopathic doctors were not among the listed practitioners in the Act and, as a result, naturopathic services rendered by a naturopathic doctor were subject to the GST/HST.

Effective February 11, 2014, the Act has been amended to expand the list of health care practitioners in section 1 of Part II of Schedule V to include naturopathic doctors. Therefore, when certain conditions are met, the GST/HST exemption in section 7 of Part II of Schedule V will apply to naturopathic services rendered to an individual by a naturopathic doctor.

The changes to the exemption apply to supplies of naturopathic services made by a naturopathic doctor after February 11, 2014.

For the examples provided in this bulletin, it is assumed that the service is supplied after February 11, 2014, unless otherwise specified. In addition, it is also assumed that no other GST/HST exemption applies to the services described in the examples.

## Meaning of significant terms used in this publication

“Basic tax content” generally refers to the amount of GST/HST that a person was required to pay on the last acquisition of property and any improvements made thereto, after deducting any amount (other than input tax credits) that the person is entitled to recover by rebate, remission or otherwise, and taking into account any depreciation.

“Exempt” means not subject to the GST/HST.

“Naturopath” refers to an individual who provides naturopathic services but does not practise the profession of naturopathy as a naturopathic doctor.

“Naturopathic doctor” refers to an individual who has graduated from a naturopathic medical program accredited by the Council on Naturopathic Medical Education (CNME) and has passed the Naturopathic Physicians Licensing Exams (NPLEX). In addition, an individual shall be deemed a naturopathic doctor if the individual holds an unrevoked registration to practise as a naturopathic doctor conferred upon him or her prior to January 1, 2000 by any licensing authority established by law.

---

“Practitioner” in respect of a supply of optometric, chiropractic, physiotherapy, chiropodic, podiatric, osteopathic, audiological, speech-language pathology, occupational therapy, psychological, midwifery, dietetic, acupuncture or naturopathic services, means a person who:

- practises the profession of optometry, chiropractic, physiotherapy, chiropody, podiatry, osteopathy, audiology, speech-language pathology, occupational therapy, psychology, midwifery, dietetics, acupuncture or naturopathy as a naturopathic doctor, as the case may be;
- where the person is required to be licensed or otherwise certified to practise the profession in the province in which the service is supplied, is so licensed or certified; and
- where the person is not required to be licensed or otherwise certified to practise the profession in that province, has the qualifications equivalent to those necessary to be so licensed or otherwise certified in another province.

“Registrant” refers to a person who is registered, or who is required to be registered for the GST/HST.

## **GST/HST exemption for naturopathic services**

In certain circumstances, a supply of a naturopathic service is exempt from the GST/HST pursuant to section 7 of Part II of Schedule V. For the exemption to apply, the following conditions must be met:

1. the service is a naturopathic service for GST/HST purposes;
2. the naturopathic service is rendered to an individual by a practitioner of naturopathic services (i.e., naturopathic doctor);
3. the naturopathic service is a qualifying health care supply pursuant to section 1.2 of Part II of Schedule V; and
4. the naturopathic service is not a cosmetic service supply or a supply, in respect of a cosmetic service supply, that is not made for medical or reconstructive purposes pursuant to section 1.1 of Part II of Schedule V.

## **First condition – supply of a naturopathic service**

For a supply of a naturopathic service to be exempt from the GST/HST pursuant to section 7 of Part II of Schedule V the service supplied by a naturopathic doctor must be a naturopathic service within the scope of practice for a naturopathic doctor.

A naturopathic service is generally the provision of care through the assessment, diagnosis and treatment of an individual’s condition, disorder or disease using education, naturopathic techniques, natural therapies and other therapeutics to promote, maintain or restore the overall health of the individual.

Naturopathy is provincially regulated and therefore the scope of practice, and what constitutes a naturopathic service for GST/HST purposes, varies from province to province. The scope of practice for a naturopathic doctor may include, but is not limited to:

- physical examinations/assessments (medication reviews, diagnostic testing)
- botanical medicine
- clinical nutrition
- physical medicine (massage, manipulation, hydrotherapy)

- 
- homeopathic medicine
  - acupuncture
  - intravenous (IV) therapy
  - chelation therapy
  - hyperbaric oxygen therapy
  - lifestyle counselling

Not every activity a naturopathic doctor engages in is a naturopathic service. For instance, most services offered in a clinical setting are naturopathic services. This includes the services of providing opinion letters, written reports, or witness testimony (supplies of these services must still meet the remaining conditions to be exempt from the GST/HST). In contrast, administrative duties, research activities and teaching are generally not naturopathic services for GST/HST purposes. A naturopathic doctor must determine whether each supply of a service is a naturopathic service.

## **Second condition – rendered to an individual by a practitioner**

Although a service rendered by a naturopathic doctor may be a naturopathic service, for the exemption in section 7 of Part II of Schedule V to apply, each naturopathic service must also be: (a) rendered to an individual; and (b) rendered by a “practitioner” of naturopathic services.

### ***Rendered to an individual***

For GST/HST purposes the phrase “rendered to an individual” implies the existence of a naturopathic doctor-patient relationship. This means that the naturopathic doctor is a direct care provider of the patient. As a result, there is an established or ongoing relationship involving personal interaction between the naturopathic doctor and the patient. To be exempt from the GST/HST, the naturopathic service must be rendered to an individual within a naturopathic doctor-patient relationship.

---

#### **Example 1**

A naturopathic doctor is hired by an employer to deliver a workshop on smoking cessation to employees. The naturopathic doctor charges the employer a fee to deliver the workshop.

Generally, the supply of the service made by the naturopathic doctor will not be exempt from the GST/HST as the service is not a naturopathic service rendered to an individual. The naturopathic doctor is required to charge and collect the GST/HST at the applicable rate, if he or she is a GST/HST registrant.

---

### ***Rendered by a practitioner of the service***

For GST/HST purposes, section 1 of Part II of Schedule V defines the term practitioner, in respect of a supply of naturopathic services, to mean:

- a person who practises the profession of naturopathy as a naturopathic doctor; and
- the person is either:
  - licensed or certified to practise the profession of naturopathy as a naturopathic doctor in the province in which the naturopathic service is supplied if licensing or certification is required in that province; or

- 
- has the qualifications equivalent to those necessary to be licensed or certified in another province if the person is practising in a province that does not require the person to be licensed or certified.

These conditions are discussed below.

### **Practises the profession of naturopathy as a naturopathic doctor**

The phrase “practises the profession of naturopathy as a naturopathic doctor” refers to an individual who engages in the occupation of naturopathy, has graduated from a naturopathic medical program accredited by the CNME, and has passed the NPLEX.

The phrase also refers to an individual who engages in the occupation of naturopathy as a naturopathic doctor and is deemed to have the qualifications necessary to be a naturopathic doctor by the Canadian Association of Naturopathic Doctors (CAND) and the regulatory authorities in the jurisdictions that regulate the practice.

The GST/HST exemption available to practitioners applies only to naturopathic services supplied by a naturopathic doctor who meets the requirements outlined above. Therefore, a distinction must be made between a person practising the profession of naturopathy as a naturopathic doctor and any other person rendering a naturopathic service, sometimes referred to as a “naturopath”.

---

#### **Example 2**

An individual completes a long-distance program for naturopathy through correspondence courses and receives a certificate from an institution that is not accredited by the CNME. The individual is not deemed to have the qualifications necessary to be a naturopathic doctor by the CAND. The individual renders naturopathic services to the general public.

The individual is not practising the profession of naturopathy as a naturopathic doctor and is therefore not a practitioner for GST/HST purposes, even if the individual claims to be a “naturopath”. The services rendered by the individual are not exempt from the GST/HST. The individual is required to charge and collect the GST/HST at the applicable rate if he or she is a GST/HST registrant.

---

### **Licensed to practise the profession of naturopathy**

If a naturopathic doctor supplies a naturopathic service in a province that regulates the profession of naturopathy, paragraph (b) of the definition of practitioner in section 1 of Part II of Schedule V requires the naturopathic doctor to be licensed or otherwise certified by the regulatory body for that province to be a practitioner for GST/HST purposes.

At the date of publication, the profession of naturopathy is regulated in Canada in the provinces<sup>1</sup> listed below.

- Alberta
- British Columbia
- Manitoba
- Nova Scotia
- Ontario

---

<sup>1</sup> The hyperlink directs you to the home page for the regulatory body for that province.

- 
- Saskatchewan

For more information on where a service is supplied, refer to the section titled “Place of Supply”.

The list of provinces and territories that regulate the profession of naturopathy may change at any time. It is the responsibility of the naturopathic doctor to monitor the licensing requirements to ensure compliance with the Act.

### **Equivalent qualifications**

If a naturopathic doctor supplies a naturopathic service in a province which does not regulate the profession of naturopathy, the supply rendered by the naturopathic doctor may still be exempt from the GST/HST. Paragraph (c) of the definition of practitioner in section 1 of Part II of Schedule V and section 7 of that Part may exempt from the GST/HST the supply of naturopathic services if the naturopathic doctor has the qualifications equivalent to the qualifications necessary to be licensed or certified in a province that regulates the profession of naturopathy.

At the date of publication the qualifications equivalent to the qualifications necessary for a person to be licensed or certified in a regulated province are as follows:

- the person has graduated from a program accredited by the CNME; and
- the person has successfully passed the NPLEX.

Alternatively, a naturopathic doctor may be deemed to be qualified by the CAND.

Therefore, an individual who practises the profession of naturopathy in a province that does not regulate the profession of naturopathy must obtain these qualifications to be a practitioner for GST/HST purposes. Without these qualifications, the services rendered by the individual will not be exempt from the GST/HST.

Please refer to the CAND website ([www.cand.ca](http://www.cand.ca)) for information regarding the qualifications necessary to practise as a naturopathic doctor.

### **Third condition – qualifying health care supply**

In addition to the first two conditions, section 1.2 of Part II of Schedule V requires that a naturopathic service rendered by a naturopathic doctor must also be a qualifying health care supply for the GST/HST exemption in section 7 of Part II of Schedule V to apply. This means that a service supplied by a naturopathic doctor must be for the purpose of maintaining health; preventing disease; treating, relieving or remediating an injury, illness, disorder or disability; assisting (other than financially) an individual in coping with an injury, illness, disorder or disability; or providing palliative health care.

If a naturopathic service is not supplied for one of these purposes, the supply is not a qualifying health care supply. As a result, section 1.2 of Part II of Schedule V excludes the supply of a naturopathic service from the GST/HST exemption for naturopathic services in section 7 of that Part.

---

#### **Example 3**

A naturopathic doctor is contracted by an insurance company to assess, diagnose and treat a patient on long-term disability using remedies, medical techniques and therapies within the scope of practice for a naturopathic doctor. The naturopathic doctor invoices the insurance company based on an hourly rate.

The assessment, diagnosis and treatment of an individual by the naturopathic doctor is a naturopathic service rendered to an individual. The purpose of this supply is to treat, relieve or remediate an injury,

---

illness, disorder or disability. Therefore, the supply is a qualifying health care supply and is exempt from the GST/HST pursuant to section 7 of Part II of Schedule V.

---

#### **Example 4**

A naturopathic doctor consults with another naturopathic doctor for a second opinion on a treatment protocol for a patient. The naturopathic doctor provides a written report to the referring naturopathic doctor outlining his opinion on the treatment plan developed by the referring doctor. The naturopathic doctor invoices the referring naturopathic doctor for his services based on an hourly rate.

The review of a file by a naturopathic doctor for purposes of providing an opinion on the diagnosis, prognosis, or treatment of an individual is a naturopathic service rendered to an individual by a practitioner of naturopathic services. The purpose of this supply is to treat, relieve or remediate an injury, illness, disorder or disability. Therefore, the supply is a qualifying health care supply and is exempt from the GST/HST pursuant to section 7 of Part II of Schedule V.

---

#### **Example 5**

A naturopathic doctor performs an assessment and prepares a report required by an insurance company in respect of applications for, or the continuation of an insurance policy. The naturopathic doctor invoices the insurance company based on an hourly rate.

The assessment of an individual and preparation of a report by the naturopathic doctor is a naturopathic service rendered to an individual by a practitioner of naturopathic services. The purpose of this supply is to assist the insurance company in determining if an individual is eligible for coverage under an insurance policy. Although the individual may ultimately receive medical or rehabilitative benefits under an insurance policy, the purpose of this supply is not to treat or assist the individual but rather to determine eligibility to enter into or continue an insurance policy. The supply is not a qualifying health care supply. Therefore, section 1.2 of Part II of Schedule V excludes the supply from the GST/HST exemption in section 7 of that Part. The naturopathic doctor is required to charge and collect the GST/HST at the applicable rate, if he or she is a GST/HST registrant.

---

#### **Example 6**

A naturopathic doctor is hired by a law firm to assess a patient and presents her findings in court during a legal proceeding to determine whether the patient is fit to stand trial. The naturopathic doctor invoices the lawyer for her time on an hourly basis.

The assessment of an individual by the naturopathic doctor is a naturopathic service rendered to an individual by a practitioner of naturopathic services. The purpose of the supply is to enable a person to make a decision (e.g., to enable a judge to determine whether an individual is fit to stand trial) and not for a purpose described in the definition of qualifying health care supply. The supply is not a qualifying health care supply. Therefore, section 1.2 of Part II of Schedule V excludes the supply from the GST/HST exemption in section 7 of that Part. The naturopathic doctor is required to charge and collect the GST/HST at the applicable rate, if he or she is a GST/HST registrant.

---

For more information, refer to GST/HST Notice No. 286, Draft GST/HST Policy Statement, *Qualifying Health Care Supplies and the Application of Section 1.2 of Part II of Schedule V to the Excise Tax Act to the Supply of Medical Examinations, Reports and Certificates*.

---

## Fourth condition – not a cosmetic service supply

The last condition that must be met for a supply of a naturopathic service to be exempt from the GST/HST pursuant to section 7 of Part II of Schedule V is that the naturopathic service rendered by a naturopathic doctor must not be for a cosmetic purpose. Section 1.1 of Part II of Schedule V excludes from the exempting provisions in Part II of Schedule V, other than section 9, a cosmetic service supply or a supply in respect of a cosmetic service supply.

A cosmetic service supply is defined in section 1 of Part II of Schedule V to mean a supply of a property or a service that is made for cosmetic purposes and not for medical or reconstructive purposes. Cosmetic procedures are surgical and non-surgical procedures that are generally aimed at enhancing one's appearance that are not provided for the purpose of treating a medical condition or for reconstructive purposes. Examples include liposuction, hair replacement procedures, botulinum toxin injections, teeth whitening, as well as face lifts and breast augmentation surgery. Also included are cosmetic acupuncture and laser therapy (if performed for cosmetic purposes). These supplies are generally subject to GST/HST.

In addition, any separate supply of property, such as intravenous (IV) substances, or any separate supply of a service, such as a diagnostic service or nursing service, is also subject to the GST/HST when the property or service relates to a cosmetic service supply.

## Other exemptions from the GST/HST

Other provisions in the Act may also exempt a service typically rendered by a naturopathic doctor when the service is rendered by another health care provider licensed to practise within their own profession. For example, a service may be exempt from the GST/HST if the service is:

- rendered to an individual by a medical practitioner (i.e., a physician or dentist) pursuant to section 5 of Part II of Schedule V; or
- rendered to an individual by a registered nurse within a nurse-patient relationship pursuant to section 6 of Part II of Schedule V.

Alternatively, a naturopathic service may be exempt if the service is:

- supplied by a registered charity pursuant to section 1 of Part V.1 of Schedule V;
- supplied by a public institution<sup>2</sup> pursuant to section 2 of Part VI of Schedule V; or
- payable or reimbursed by a provincial health care plan pursuant to section 9 of Part II of Schedule V.

## Expenses incurred in rendering a naturopathic service

A naturopathic doctor may incur expenses for purchases made in the course of providing naturopathic services for which the naturopathic doctor seeks reimbursement from his or her patient. Whether the purchase forms part of the exempt naturopathic service or constitutes a separate supply made to the patient, which may or may not be subject to the GST/HST, is a question of fact.

If the purchase is required by the naturopathic doctor to render an exempt naturopathic service to the patient, the purchase for which the naturopathic doctor seeks reimbursement is an input into a single supply of the exempt naturopathic service. In this case, the charge passed on to the patient takes on the tax status of the exempt naturopathic service. This applies whether the charge for the purchase is invoiced

---

<sup>2</sup> A public institution is defined in subsection 123(1) to mean a registered charity (within meaning assigned by subsection 248(1) of the *Income Tax Act*) that is a school authority, a public college, a university, a hospital authority or a local authority determined under paragraph (b) of the definition "municipality" to be a municipality.



---

separately from the fee for the naturopathic service or is included in a single fee for the naturopathic service.

---

### **Example 7**

A naturopathic doctor orders a blood test from a lab to be administered to a patient. The lab sends the results to the naturopathic doctor and invoices the naturopathic doctor a fee for performing the test. The test is used by the naturopathic doctor for diagnosing and treating the patient. The naturopathic doctor invoices the patient an assessment fee and a separate fee for the blood test.

The naturopathic doctor may order the patient to undergo a diagnostic test as part of the patient's assessment. In these circumstances, the naturopathic doctor is not making a separate supply of a diagnostic service to the patient. The blood test is considered to form part of, or is an input into a single supply of a naturopathic service regardless of whether the lab test is performed by the naturopathic doctor or by a third party.

If the naturopathic service is supplied on or before February 11, 2014, the GST/HST will apply to the fees charged to the patient for the assessment and blood test. The naturopathic doctor is required to charge and collect the GST/HST at the applicable rate, if the naturopathic doctor is a GST/HST registrant.

If the naturopathic service is supplied after February 11, 2014, the GST/HST will not apply to the fees charged to the patient for the assessment and blood test, provided all of the conditions for the naturopathic service exemption are met.

---

In addition, where a naturopathic doctor uses the services of other health care professionals in rendering a naturopathic service, the acquired services are generally considered to form part of, or are an input into the naturopathic service.

---

### **Example 8**

A naturopathic doctor enters into a contract with a nutritionist to provide nutritional counselling to a patient of the naturopathic doctor. The nutritional counselling is ordered and supervised by the naturopathic doctor following an assessment of the patient. The nutritionist provides the counselling and invoices the naturopathic doctor a fee for the service. The patient is invoiced by the naturopathic doctor for the nutritional counselling based on an hourly rate.

Although the service is performed by the nutritionist, the service forms part of the overall naturopathic service rendered by the naturopathic doctor. The patient is a patient of the naturopathic doctor and the naturopathic doctor is ultimately liable for the provision of care to his or her patients.

If the naturopathic service is supplied on or before February 11, 2014, the GST/HST will apply to the fee charged to the patient for the service. The naturopathic doctor is required to charge and collect the GST/HST at the applicable rate, if the naturopathic doctor is a GST/HST registrant.

If the naturopathic service is supplied after February 11, 2014, the GST/HST will not apply to the fee charged to the patient for the service, provided all of the conditions for the naturopathic service exemption are met.

---

Where a service is rendered by another health care professional and the health care professional charges the patient for his or her service, the service is a separate supply from the naturopathic service and is subject to the GST/HST unless another exemption is available.

---

A GST/HST exemption is generally available in Part II of Schedule V for nursing, optometric, chiropractic, physiotherapy, chiropodic, podiatric, osteopathic, audiological, speech-language pathology, occupational therapy, psychological, midwifery, dietetic, acupuncture, social worker, dental, medical, dental hygienic and pharmacists' services when certain conditions are met.

---

### **Example 9**

A naturopathic doctor assesses a patient and advises her to undergo hydrotherapy treatments. The naturopathic doctor refers the patient to a registered nurse at a nearby clinic for the treatments. Prior to treatment the patient completes a consent form provided by the registered nurse. The patient is invoiced by the registered nurse for the treatments.

The hydrotherapy treatment is a separate supply and is not an input into the naturopathic service rendered by the naturopathic doctor. However, if the hydrotherapy is within the scope of a nursing practice, the service may be exempt from GST/HST under the exemption for nursing services.

---

The same principle applies to medical supplies and other property acquired by the naturopathic doctor for use or consumption in rendering a naturopathic service to a patient; for example substances used in intravenous therapy (e.g., IV bags) or an injection (e.g., vitamins or iron) administered to patients for the prevention or treatment of a disorder.

A naturopathic doctor will pay the GST/HST on the purchase of these products (as applicable). If the products are an input into, or form part of a single supply of an exempt naturopathic service the GST/HST will not be applicable to the fee charged to the patient. This is true whether the patient is charged a fee for the IV bags, injections or other products that is separate from the treatment fee or assessment fee, or whether the charge is included in the fee for the naturopathic service.

<p>The requirement to pay the GST/HST on purchases of taxable supplies is unrelated to the tax status of the supplies a person makes. Therefore, a naturopathic doctor making exempt supplies is required to pay the GST/HST on purchases of taxable property and services.</p>
---

## **Diagnostic tests**

Certain supplies of diagnostic services made after February 11, 2014, on the order of a naturopathic doctor who is a practitioner for GST/HST purposes, are exempt from the GST/HST pursuant to section 10 of Part II of Schedule V and the *Health Care Services (GST/HST) Regulations*.

A supply of laboratory, radiological or other diagnostic services rendered to an individual is exempt from the GST/HST if the diagnostic service is one that is generally available in a health care facility (e.g., a hospital). This would include diagnostic tests such as urine, hair, stool, saliva, and blood tests. Therefore, the GST/HST is not applicable to the fee charged for the diagnostic service regardless of whether the service is performed by a lab or by a naturopathic doctor.

In contrast, supplies of diagnostic services that are not generally available in a health care facility are not exempt from the GST/HST. For example, if a lab invoices a naturopathic doctor (or an individual) for food sensitivity testing completed by the lab, the lab would be required to charge and collect the GST/HST applicable to the fee charged for the testing. If the naturopathic doctor subsequently passes on the cost of the testing to a patient, the fee for the testing is not subject to the GST/HST where the testing is an input into a naturopathic service (e.g., a diagnosis) as discussed under the section titled "Expenses incurred in rendering a naturopathic service".

---

## Sale of products

Sales of nutritional and other products are generally separate supplies made by the naturopathic doctor and do not form part of any naturopathic service. As such, the sales of products are generally subject to the GST/HST. Products include nutritional supplements, botanical medicines, herbal medicines, and tinctures, whether or not the products are dispensed by a naturopathic doctor. The products also include water bottles, therapy bands, books<sup>3</sup> and other educational material.

A naturopathic doctor is required to charge and collect the GST/HST on sales of these products, if the naturopathic doctor is a GST/HST registrant.

Although most services rendered by a naturopathic doctor are exempt from the GST/HST, a naturopathic doctor is generally required to register for the GST/HST if his or her revenue from taxable supplies, including the sales of products, exceeds the small supplier threshold. For more information, refer to the section titled "Registration for the GST/HST".

## Other charges

In addition to fees charged for naturopathic services, a naturopathic doctor may also charge administrative fees, for example, a cancellation fee or a fee charged for a returned cheque.

A cancellation fee paid by a patient for a missed or cancelled appointment is treated as payment for the intended supply (i.e., treatment or other naturopathic service). Where the naturopathic service is taxable, the GST/HST will apply to the cancellation fee. The amount paid by the patient to the naturopathic doctor is deemed under section 182 to be a GST/HST-included amount. The patient is deemed to have paid and the naturopathic doctor, if a GST/HST registrant, is deemed to have collected the GST/HST on the cancellation fee at the time the fee is paid. However, where the naturopathic service is exempt, GST/HST will not apply to the cancellation fee.

Therefore, the GST/HST applies to a cancellation fee charged for missed or cancelled appointments on or before February 11, 2014. The GST/HST will also apply to a cancellation fee charged after February 11, 2014 if the fee relates to a taxable supply of naturopathic services. The GST/HST will not apply to a cancellation fee charged after February 11, 2014 if the fee relates to an exempt supply of naturopathic services.

A fee charged for a returned cheque for insufficient funds is consideration for an exempt supply of a financial service under section 1 of Part VII of Schedule V. The GST/HST will not apply to this fee.

## Place of supply

Different rates of tax apply to taxable supplies of property or services made in Canada depending on the province in which the supply is made. For a naturopathic doctor to apply the correct tax rate, it is necessary to determine the place of supply (province) for each taxable supply of a service or property he or she makes.

Pursuant to subsection 13(1) of the *New Harmonized Value-Added Tax System Regulations*, the place of supply of a professional service<sup>4</sup> is generally the province in which the home or business address of the

---

<sup>3</sup> The participating provinces provide a point-of-sale rebate of the provincial part of the HST to all purchasers of printed books and other qualifying property.

<sup>4</sup> A naturopathic service rendered by a naturopathic doctor is considered a professional service. A professional service generally refers to a service rendered by an individual whose vocation or occupation requires special, usually advanced, education and skills. The individual rendering the service may be a member of a professional association,

---

recipient in Canada is located that is obtained by the naturopathic doctor in the ordinary course of its business. A naturopathic service rendered by an individual who is not a naturopathic doctor, i.e., not a practitioner for GST/HST purposes, is generally considered to be rendering a personal service to which a different place of supply rule applies.

Pursuant to section 1 of Part II of Schedule IX, the place of supply for the sale of tangible personal property is generally the province in which legal delivery of the property to the recipient (i.e., possession) occurs. However, if an individual purchases naturopathic products and the products are shipped or mailed by the naturopathic doctor to the individual in a province, the place of supply is generally that province.

---

### **Example 10**

A resident of Québec receives an acupuncture treatment for cosmetic purposes from a naturopathic doctor in the naturopathic doctor's office located in Ontario. The naturopathic doctor, who is a GST/HST registrant, has only obtained the home address of his patient in Québec for his records. The supply of the service is made in Québec and is subject to the GST at a rate of 5% since the only address of the recipient in Canada obtained by the naturopathic doctor in the ordinary course of his business is in Québec. The naturopathic doctor is required to charge and collect the GST.

---

---

### **Example 11**

A naturopathic doctor in Ontario, who is a GST/HST registrant, sells vitamins to a resident of Nova Scotia through an online transaction and delivers the products by mail to the resident at his home address. The supply of the vitamins is made in Nova Scotia and is subject to the HST at a rate of 15% since the vitamins are mailed to Nova Scotia. The naturopathic doctor is required to charge and collect the HST.

---

For more information, refer to GST/HST Technical Information Bulletin B-103, *Draft GST/HST Technical Information Bulletin B-103, Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province.*

## **Practice variations**

A naturopathic doctor may render naturopathic services under a variety of practice models. For example, a naturopathic doctor may be a sole proprietor, a partner in a partnership, an employee, or an associate practitioner. In addition, the naturopathic doctor may also supply services to a third party. The following issues should be considered.

## ***Supplies of naturopathic services made through corporations***

If a naturopathic doctor incorporates his or her practice, the naturopathic services rendered by the naturopathic doctor after February 11, 2014 are exempt from the GST/HST provided all the conditions for the naturopathic service exemption are met. This applies regardless of whether the services are supplied through the corporation or directly by the naturopathic doctor.

---

a professional corporation, or a similar body, which is recognized by a statute in at least one province or territory by one federal body, and which enforces standards of professional practice and a code of ethics.

---

---

## ***Fee sharing***

The application of the GST/HST to situations involving arrangements with contracted associate practitioners will vary. In these situations, generally one practitioner (principal) contracts for the services of one or more associate practitioners at the principal's place of business.

For example, where a principal and an associate enter into an agreement whereby the associate agrees to pay to the principal a portion of fees from the associate's supplies of exempt naturopathic services, the application of the GST/HST to the payment is dependent on the terms of the agreement. Where the payment is for the use of the principal's facilities, equipment or administrative services, the payment is consideration for a taxable supply made by the principal, and the GST/HST will generally apply.

However, where the principal and associate have entered into a *bona fide* arrangement to share the fees from the associate's supplies of exempt naturopathic services, the payment made by the associate is treated as an apportionment of fees between parties and not as consideration paid to the principal for a supply. Therefore, the GST/HST will not apply.

---

### **Example 12**

A naturopathic doctor operates a clinic as a sole proprietor. The naturopathic doctor (principal) owns the practice, building, and all the assets and equipment of the practice. The naturopathic doctor contracts with two other naturopathic doctors (associates) to render services to patients at the clinic. The naturopathic doctors enter into a fee sharing agreement. Under the agreement, the associates agree that the principal shall administer all billings for services rendered by the associates and that all fees collected for such services shall be paid over to the principal. In addition, the principal agrees to remit to the associates 60% of the fees from supplies of exempt naturopathic services made by the associates and retain the remaining 40% of the fees. There is no agreement between the principal and associates for the associates to pay for the use of the facilities, equipment and administrative services.

The payment made to each associate is an apportionment of fees from supplies of exempt naturopathic services made by the associate and therefore, the payment will not be subject to the GST/HST. The amount retained by the principal is not consideration for a supply made by the principal, and as such, the GST/HST will not apply to this amount.

If, however, the principal and associate agree that the 40% of fees retained by the principal were for the use or lease of the facilities, equipment and administrative services supplied by the principal, the payment (i.e., 40% of fees) is consideration for a taxable supply and is subject to the GST/HST.

---

For more information, refer to GST/HST Policy Statement P-238, *Application of the GST/HST to Payments Made Between Parties Within a Medical Practice Organization*.

## ***Supply of naturopathic services versus other services***

A naturopathic doctor may contract with a third party (e.g., a charity or non-profit organization) who provides naturopathic services to individuals. In this case, there is a supply made by the naturopathic doctor to the third party and a supply (of a naturopathic or other service) made by the third party to the individual. Whether the supply made by the naturopathic doctor to the third party is an exempt naturopathic service or a taxable supply of a consulting or other service is a question of fact.

The nature of the supply made by the naturopathic doctor to the third party is determined based on the terms of the agreement between them. If the agreement stipulates that the naturopathic doctor has the contractual obligation to provide naturopathic services to the individuals, is acting under his or her own direction, and is accountable for the quality of care provided, the supply made by the naturopathic doctor to the third party is one of a naturopathic service.

---

---

### Example 13

A naturopathic doctor contracts with a teaching clinic to supervise students at the clinic. Each student interacts one-on-one with a patient for the diagnosis and treatment of a disorder under the direction of the naturopathic doctor. The patient is invoiced by the naturopathic doctor for the service she receives. The invoice contains the naturopathic doctor's provincial registration number. The naturopathic doctor also invoices the clinic for the teaching services he provides.

The GST/HST will not apply to the fee charged to the patient for the service she receives where it is an exempt naturopathic service. Although the naturopathic doctor oversees the services rendered to the patient and may have interaction with the patient, the naturopathic doctor is also making a supply of a teaching service to the clinic. Where no other exempting provision applies, the naturopathic doctor is required to charge and collect the GST/HST at the applicable rate on the fee for his teaching service to the clinic, if the naturopathic doctor is a GST/HST registrant.

---

## Registration for the GST/HST

Where a naturopathic doctor makes taxable supplies in Canada in the course of a commercial (taxable) activity engaged in by the naturopathic doctor, he or she is required under section 240 to be registered for the GST/HST, unless he or she is a small supplier.

In general, a naturopathic doctor is a small supplier pursuant to section 148 where the naturopathic doctor has total revenues from taxable supplies (other than supplies of financial services, sales of capital property and goodwill attributable to the sales of a business) in the **previous** four consecutive calendar quarters, or in a particular calendar quarter, and those of associated persons, that do not exceed the small supplier threshold of \$30,000 (or \$50,000 for a public service body). Examples of taxable revenues include sales of nutritional supplements, teaching and/or consulting services.

## Input tax credits

Pursuant to subsection 169(1), a GST/HST registrant is generally eligible to claim input tax credits (ITCs) to recover the GST/HST paid or payable on taxable property and services to the extent that the property or services are acquired, imported or brought into a participating province by the registrant for consumption, use or supply for the purpose of making taxable supplies for consideration. An ITC cannot be claimed for the GST/HST paid or payable on property or services which the registrant acquired, imported or brought into a participating province for purposes other than making taxable supplies for consideration, for example, for the purpose of making exempt supplies.

Different ITC rules apply to capital personal property and capital real property, services and non-capital property. A registrant must use the appropriate rules to calculate the ITC available on the purchase of each property or service. Pursuant to subsection 225(4), the time limit for claiming an ITC is generally four years from the date in which the GST/HST return was due for the reporting period in which the GST/HST was paid or became payable without being paid.

If a registrant acquires, imports or brings into a participating province an input for the purpose of making taxable supplies for consideration and for other purposes, he or she is required to allocate the consumption or use of the input between these purposes in order to claim an ITC on the input. Where all other conditions for claiming an ITC are met, a registrant is eligible to claim an ITC on the GST/HST paid or payable on an input to the extent that the property or service is acquired for the purpose of making taxable supplies for consideration.

---

For more information, refer to GST/HST Memorandum 8.3, *Calculating Input Tax Credits*.

## ***Supplies made after February 11, 2014***

Supplies of naturopathic services made by a naturopathic doctor after February 11, 2014 are exempt from the GST/HST (provided the services meet all of the conditions for the naturopathic service exemption). The change in tax status for naturopathic services will impact a registrant's ITC entitlement. A naturopathic doctor who is a GST/HST registrant will not be entitled to claim ITCs on inputs (e.g., services, capital and non-capital property) acquired for the purpose of making exempt supplies of naturopathic services (i.e., supplies of naturopathic services made after February 11, 2014, where the conditions for the exemption are met).

In addition, as a result of the change in tax status of his or her supplies, a naturopathic doctor may be required to remit GST/HST as a result of a change in use (i.e., a deemed sale and repurchase) of certain capital property discussed below.

A naturopathic doctor must determine whether a change in use of capital property has occurred after February 11, 2014.
--

### **Capital personal property**

If, as a result of naturopathic services becoming exempt from the GST/HST, there is a change in use of the capital personal property by the naturopathic doctor from more than 50% in taxable activities to 50% or less in taxable activities, the naturopathic doctor ceases to use the property primarily in taxable activities. As a result, if the naturopathic doctor is a GST/HST registrant, he or she is deemed by subsection 200(2) to have sold the property immediately before the change in use occurs and, at the time the change in use occurs, is deemed to have collected the GST/HST on the sale of the property equal to the basic tax content of the property at that time.

In addition, subsection 200(2) deems the naturopathic doctor to have repurchased the (same) property at the time the change in use occurs and to have paid the GST/HST on the purchase of the property equal to the basic tax content of the property at that time.

The deemed sale effectively requires the naturopathic doctor to account for all, or part, of the GST/HST previously claimed as an ITC at the time of the original purchase of, or on any later improvements made to, the property. The naturopathic doctor must account for the amount of GST/HST deemed to have been collected on the deemed sale of capital personal property in his or her net tax calculation by including the amount on line 103 of his or her GST/HST return (or line 105 if the return is filed electronically) for the reporting period in which the change in use of the property occurs. The naturopathic doctor is not eligible to claim an ITC for the GST/HST deemed to have been paid under subsection 200(2) on the deemed repurchase of the property. The naturopathic doctor would remit any positive amount of net tax owing for the reporting period.

If a naturopathic doctor changes the use of the capital personal property again and begins to use the property more than 50% in taxable activities, he or she may be able to claim an ITC equal to the basic tax content of the property at the time the change in use occurs.

---

### **Example 14**

A naturopathic doctor is registered for the GST/HST and is located in Manitoba. He purchased a computer on January 22, 2011 to be used primarily in taxable activities. The cost of the computer was \$2,100, including the GST. An ITC of \$100 was claimed at the time of purchase. No improvements were made to the computer. On February 12, 2014, the naturopathic doctor began to use the computer primarily in exempt activities. At that time the fair market of the value of the computer was \$200.

---

### Calculation:

The basic tax content (BTC) of a property is generally calculated as:

$$(A - B) \times C$$

Where

A = the amount of the GST/HST that was payable on the last acquisition of the property and on any improvements made to the property since it was last acquired (**\$100**)

B = any amounts (other than ITCs) that the person was entitled to recover by way of rebate, refund, remission or otherwise (**\$0**)

C = the lesser of 1 and the fair market value of the property at the time of the change in use divided by the total cost of last acquiring the property and any subsequent improvements thereto (not including the GST/HST). In this example, the lesser of 1 and  $\$200/\$2,000 = 0.1$

Therefore, the BTC of the computer is **\$10** ( $\$100 \times 0.1$ ).

The naturopathic doctor must include the GST/HST deemed to have been collected in respect of the change in use equal to \$10 on line 103 of the GST/HST return (or line 105 if the return is filed electronically) for the reporting period in which the change in use of the computer in the naturopathic doctor's activities occurred.

---

### Capital real property

A change in use of capital real property occurs for GST/HST purposes if:

- the decrease in the extent of use in taxable activities is 10% or more on a cumulative basis;
- the decrease in the extent of use in taxable activities is less than 10%, but the property begins to be used exclusively (90% or more) in exempt activities; or
- an individual begins to use the property primarily for the personal use and enjoyment of the individual or related individual.

As indicated above, supplies of naturopathic services made by a naturopathic doctor after February 11, 2014 are exempt from the GST/HST provided all of the conditions for the naturopathic service exemption are met. Therefore, a significant change in use of capital real property may occur for naturopathic doctors.

### *Decrease in use in taxable activities*

Where a decrease of 10% or more in the use of the capital real property in taxable activities occurs (but there is no cessation of use, which is described in the section below), a corporation or partnership that is a GST/HST registrant is deemed under subsection 206(5), immediately before the change in use occurs, to have sold a portion of the property that reflects the decrease in use in taxable activities. In addition, unless the sale is exempt, the corporation or partnership is deemed to have collected, at the time the change occurs, the GST/HST equal to the basic tax content of the property on the portion of the property that is no longer used in taxable activities.

As indicated above, the deemed sale effectively requires the registrant to account for all, or part, of the GST/HST previously claimed as an ITC on the original purchase of, or on any later improvements made to, the property. The registrant must account for the amount of GST/HST deemed to have been collected on the deemed sale by multiplying the basic tax content of the real property by the percentage of decrease in taxable activities. This amount must be included on line 103 of the registrant's GST/HST return (or



---

line 105 if the return is filed electronically) for the reporting period in which the change in use occurs. The registrant would remit any positive amount of net tax owing for the reporting period.

Pursuant to subsection 207(2), the same rules generally apply to a registrant who is an individual<sup>5</sup> unless, as a result of the decrease in use in taxable activities, the capital real property begins to be used primarily for the personal use and enjoyment of the individual or a related individual. In such cases, the individual must follow the rule for ceasing use described in the section below.

---

### Example 15

Naturopaths Inc. is registered for the GST/HST and is located in Alberta. It purchased a commercial building on January 1, 2011 to be used exclusively (90% or more) in taxable activities. The cost of the building was \$1,000,000 excluding the GST and an ITC of \$50,000 was claimed for the GST/HST paid on the purchase. In 2013, improvements to the property were made for a total cost of \$50,000 excluding the GST. An ITC of \$2,500 was claimed for the GST paid on the improvements. As of February 12, 2014, the registrant determined that the use of the property in taxable activities is reduced to 15% based on a fair and reasonable method. The fair market of the real property on that date is \$1,300,000.

#### Calculation:

Naturopaths Inc. is deemed to have sold a portion of the property and to have collected the GST/HST calculated as:

$$A \times B$$

Where

A = the basic tax content (BTC)

B = the extent to which the registrant reduced the use of the property in taxable activities = 85% (100% - 15%)

The BTC of the property is calculated as:

$$(A - B) \times C$$

Where

A = the GST/HST that was payable on the last acquisition of the property and on any improvements made to the property since it was last acquired (**\$50,000 + \$2,500 = \$52,500**)

B = any amounts (other than ITCs) that the person was entitled to recover by way of rebate, refund, remission or otherwise (**\$0**)

C = the lesser of 1 and the fair market value of the property at the time the basic tax content is being determined divided by the cost of acquiring the property or improvements thereto (not including the GST/HST).

Lesser of 1 and  $\$1,300,000/\$1,050,000 = 1$

Therefore, the BTC of the building is **\$52,500** (**\$52,500 × 1**).

---

<sup>5</sup> The amount of tax owing by the individual may be reduced by an amount of tax that may also be payable by the individual on the fair market value of the property. For more information, refer to the section "Property appropriated for personal use" in GST/HST Memorandum 19.2.3, *Residential Real Property – Deemed Supplies*.

---

Naturopaths Inc. must include the GST/HST deemed to have been collected in respect of the change in use of the building equal to \$44,625 ( $\$52,500 \times 85\%$ ) on line 103 of the GST/HST return (or line 105) if the return is filed electronically) for the reporting period in which Naturopaths Inc. reduces the use of the building to 15% in its taxable activities.

---

### ***Ceasing use in taxable activities***

Where a GST/HST registrant corporation, partnership or individual ceases to use the capital real property in taxable activities (i.e., use is 10% or less in taxable activities), or an individual begins to use capital real property primarily (more than 50%) for the personal use and enjoyment of the individual or a related individual, subsection 206(4) and subsection 207(1) respectively, deem the registrant to have sold the property immediately before the change in use occurs and, unless the sale is exempt, also deem the corporation, partnership or individual to have collected GST/HST on the sale equal to the basic tax content of the property at the time the property ceases to be used in taxable activities.<sup>6</sup>

In addition, subsection 206(4) and subsection 207(1) deem the registrant to have repurchased the property at the time the change in use occurs and also deem the registrant to have paid the GST/HST on the purchase of the property at that time.

This amount must be included on line 103 of the registrant's GST/HST return (or line 105 if the return is filed electronically) for the reporting period in which the change in use occurs. The corporation, partnership or individual is not eligible to claim an ITC for the GST/HST deemed paid on the deemed sale.

---

### **Example 16**

If, using the facts in Example 15 above, the extent of the use of the building in taxable activities was reduced from exclusively (90% or more) to 8% in taxable activities (rather than to 15% as it was in Example 15), Naturopaths Inc. is considered to have ceased to use the real property in taxable activities. Naturopaths Inc. is considered to have collected the GST/HST equal to the basic tax content of the property.

#### **Calculation:**

The BTC of the property is generally calculated as:

$$(A - B) \times C$$

Where

A = the GST/HST that was payable on the last acquisition of the property and on any improvements made to the property since it was last acquired ( **$\$50,000 + \$2,500 = \$52,500$** )

B = any amounts (other than ITCs) that the person was entitled to recover by way of rebate, refund, remission or otherwise ( **$\$0$** )

C = the lesser of 1 and the fair market value of the property at the time the basic tax content is being determined divided by the cost of acquiring the property or improvements thereto (not including the GST/HST).

---

<sup>6</sup> If an individual has an amount of tax owing under these rules, the amount owing by the individual may be reduced by an amount of tax that may also be payable by the individual on the fair market value of the property. For more information, refer to the section "Property appropriated for personal use" in GST/HST Memorandum 19.2.3, *Residential Real Property – Deemed Supplies*.

---

Lesser of 1 and  $\$1,300,000/\$1,050,000 = 1$

Therefore, the BTC of the building is **\$52,500** ( $\$52,500 - 0$ )  $\times 1$ .

Naturopaths Inc. must include the GST/HST deemed to have been collected in respect of the change in use equal to \$52,500 on line 103 of the GST/HST return (or line 105 if the return is filed electronically) for the reporting period in which the building ceases to be used in taxable activities.

---

For information on how to calculate the basic tax content and change in use, refer to Guide RC4022, *General Information for GST/HST Registrants*.

## Services and non-capital property

Unlike capital property (discussed above) there are generally no change-in-use provisions that apply to services and non-capital property. However, there may be GST/HST consequences if a naturopathic doctor cancels his or her GST/HST registration. For more information, refer to “Cancellation of a GST/HST Registration”.

---

### Example 17

A naturopathic doctor purchased 10 boxes of examination gloves on January 10, 2014, intending to use those gloves in making taxable supplies of naturopathic services. The naturopathic doctor is a monthly filer and claimed full ITCs for the HST paid on the purchase of the gloves on her GST/HST return for the period ending January 31, 2014. The naturopathic doctor had 5 boxes of gloves remaining after February 11, 2014. Even though the naturopathic doctor did not use all of the gloves in making taxable supplies of naturopathic services, the naturopathic doctor would not be required to account for the portion of the GST/HST that was paid on the gloves that will be used in making exempt supplies of naturopathic services.

---

## Adjusting a previously filed GST/HST return

Where a naturopathic doctor has filed his or her GST/HST return for the reporting period containing February 12, 2014, and discovers an error on this GST/HST return, the naturopathic doctor must notify the CRA of the error.

A naturopathic doctor who is required to amend his or her GST/HST return must either do so at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) or send a letter to his or her tax centre indicating:

- the registrant’s business number;
- the GST/HST reporting period to be amended; and
- the corrected amount for each line number on the GST/HST return.

As a result of the change in legislation, the GST/HST returns for a naturopathic doctor may have to be amended to account for any over-claimed ITCs after February 11, 2014 or to account for a change in use of capital property after that date.
--

## Cancellation of GST/HST registration

Where a naturopathic doctor is engaged only in exempt activities he or she is not permitted to be registered for the GST/HST. This would be the case where a naturopathic doctor only makes supplies of exempt naturopathic services (e.g., the naturopathic doctor does not render any naturopathic services for cosmetic purposes) and does not sell any taxable products (e.g., supplements). Therefore, the naturopathic

---

doctor must cancel his or her GST/HST registration. A naturopathic doctor would also request cancellation of his or her GST/HST registration if the doctor ceases operating his or her practice and has no other taxable activities.

In addition, a naturopathic doctor may request cancellation of his or her GST/HST registration, effective after the last day of the naturopathic doctor's fiscal year, if he or she is a small supplier and has been registered for the GST/HST for at least one year. This may be the case where a naturopathic doctor's revenues from naturopathic services rendered for cosmetic purposes and sales of taxable products (and those of associated persons) do not exceed the small supplier threshold. A GST/HST registration can be cancelled by completing and filing Form RC145, *Request to Close Business Number (BN) Accounts*, or by contacting Business Enquiries at 1-800-959-5525.

Where a naturopathic doctor cancels his or her GST/HST registration and ceases to be a GST/HST registrant, he or she may be required to account for the GST/HST on capital property used in his or her taxable activities and on non-capital property on hand at that time. In addition, the naturopathic doctor may be required to repay the ITCs previously claimed on services, rent, royalties and similar payments.

### ***Capital and non-capital property***

For the impact of a cancellation of a GST/HST registration on capital property, please refer to the previous sections titled "Capital personal property" and "Capital real property".

For non-capital property, effective the date a naturopathic doctor cancels his or her GST/HST registration subsection 171(3) deems the naturopathic doctor to have, immediately before that time:

- made a sale to himself or herself of each property that was held by the naturopathic doctor for consumption, use or supply in a taxable activity and;
- collected the GST/HST calculated on the fair market value of each property.

The naturopathic doctor is also deemed to have repurchased the property on the effective date of cancellation and to have paid, at that time, the GST/HST on the fair market value of each property.

The GST/HST deemed to be collected on the fair market value of each property is included on line 103 of the naturopathic doctor's GST/HST return (or line 105 if the return is filed electronically) when reporting the net tax for his or her last reporting period as a registrant. The naturopathic doctor is not eligible to claim an ITC for the GST/HST deemed paid on the property on the date of cancellation as the doctor is no longer a GST/HST registrant at that time.

### ***Services, rent and royalties***

At the time a naturopathic doctor ceases to be a registrant, paragraph 171(4)(b) requires the naturopathic doctor to repay any ITCs previously claimed, to the extent that they relate to:

- services to be supplied to the naturopathic doctor **after** ceasing to be a GST/HST registrant; or
- an amount for rent, royalties or similar payments attributable to a period **after** ceasing to be a GST/HST registrant.

The naturopathic doctor must include the amount of ITCs repaid as a tax adjustment on line 104 of the GST/HST return (or line 105 if the return is filed electronically) when reporting the net tax for his or her last reporting period as a GST/HST registrant.

---

However, pursuant to paragraph 171(4)(a), in determining the ITCs for his or her last reporting period as a GST/HST registrant, a naturopathic doctor may claim an ITC for any GST/HST that becomes payable after ceasing to be a registrant:

- to the extent that the GST/HST is payable for services that were supplied to the doctor **before** that time for consumption, use or supply in the course of making taxable supplies for consideration; or
- for rent, royalties or similar payments that relate to a period **before** the doctor ceases to be a registrant that are used in the course of making taxable supplies for consideration.

### ***Reporting periods***

Upon the cancellation of a GST/HST registration, a naturopathic doctor is required to file his or her last GST/HST returns. Pursuant to subsection 251(2), the naturopathic doctor is considered to have two separate reporting periods and may have to file two separate returns:

- a return for a reporting period that ends the day before the naturopathic doctor cancels his or her registration; and
- a second return for a reporting period that begins the day the GST/HST registration is cancelled and ends on the last day of the calendar month that includes that day. This return is only required if any GST/HST is remittable for that period.

---

#### **Example 18**

A naturopathic doctor resident in Ontario is registered for the GST/HST and has a quarterly reporting period based on the calendar year. On January 5, 2014, the naturopathic doctor purchased two boxes of nutritional supplements at \$9.99 each for a total of \$19.98 plus \$2.60 in HST [ $\$9.99 \times 2 \times 13\%$  HST]. Each box contains ten bottles. The naturopathic doctor sells the supplements in his clinic as separate supplies from his services. The naturopathic doctor claimed an ITC of \$2.60 for the HST paid on the supplements on line 108 of his GST/HST return for his quarterly reporting period ended March 31, 2014.

The naturopathic doctor cancels his GST/HST registration as a small supplier effective January 1, 2015. Immediately before the time of cancellation, the naturopathic doctor had five bottles of the supplements remaining in inventory. Therefore, the naturopathic doctor is deemed to have sold the five bottles at fair market value and to have collected the HST on that supply immediately before January 1, 2015. The naturopathic doctor would account for this deemed HST collected on the fair market value of the remaining five bottles of supplements on line 103 of his GST/HST return (or line 105 if the return is filed electronically) for his quarterly reporting period ended December 31, 2014.

---

#### **Example 19**

On January 1, 2014, a naturopathic doctor who is a GST/HST registrant with a quarterly reporting period based on the calendar year prepays the rent plus 5% GST for his business premises located in Quebec. The rent is payable on a biannual basis. In determining his net tax for his quarterly reporting period ending March 31, 2014, the naturopathic doctor claimed an ITC for the GST he paid on rent for the first six months of 2014. The naturopathic doctor decides to retire and cancels his GST/HST registration effective May 1, 2014.

In determining his net tax for his last reporting period as a registrant, the naturopathic doctor is required to repay the ITC that he claimed for rent related to a period after ceasing to be a registrant. Therefore, the naturopathic doctor is required to make an adjustment for the GST paid for rent for the months of May and June 2014 and include this amount on line 104 of his GST/HST return (or line 105 if the return is filed electronically) for his reporting period of April 1 to 30, 2014.

---

---

## Example 20

Using the facts in Example 19 above, the naturopathic doctor contracts with a security firm to provide business alarm and monitoring services for his business premises. On January 1, 2014, the naturopathic doctor prepays for the alarm services plus 5% GST for the first six months of the year. In determining his net tax for his quarterly reporting period ended March 31, 2014, the naturopathic doctor claimed an ITC for the GST he paid on that expense.

In determining his net tax for his last reporting period as a registrant, the naturopathic doctor is required to repay the ITC that he claimed for alarm and monitoring services to be supplied after he ceases to be a registrant. Therefore, the naturopathic doctor is required to make an adjustment for the GST paid for the alarm and monitoring services to be supplied for the months of May and June 2014 and include this amount on line 104 of his GST/HST return for that period (or line 105 if the return is filed electronically) for his reporting period of April 1 to 30, 2014.

---

For more information, refer to GST/HST Memorandum 2.7, *Cancellation of Registration*.

## Tax paid in error

A naturopathic doctor who has charged or collected an amount as GST/HST in error on an exempt supply made after February 11, 2014 may, pursuant to section 232:

- adjust the amount charged if the amount has not been collected; or
- refund or credit the amount to the patient if the amount has been collected.

A naturopathic doctor who adjusts, refunds or credits the amount must do so within two years after the day the amount was charged or collected and must provide the patient with a credit note containing specific information.

A naturopathic doctor who adjusts, refunds or credits the amount charged or collected as GST/HST in error to patients, may deduct the amount when determining his or her net tax for the reporting period in which the credit note is issued. The amount may only be deducted to the extent it has been included in determining the net tax for the reporting period in which the credit note is issued or a preceding reporting period of the naturopathic doctor. This amount should be reported as an adjustment on line 107 (or line 108 if the return is filed electronically) of the naturopathic doctor's GST/HST return for the appropriate reporting period.

Alternatively, pursuant to section 261, patients who have paid an amount as GST/HST on exempt supplies in error may claim a rebate of the amount paid using Form GST189, *General Application for Rebate of the GST/HST*. The time limit to apply for this rebate is two years after the day the purchaser paid the amount.

For more information, including the specific information that must be contained on a credit note or debit note, refer to GST/HST Memorandum 12.2, *Refund, Adjustment, or Credit of the GST/HST under Section 232 of the Excise Tax Act* and Guide RC4033, *General Application for GST/HST Rebates*.

<p>If a naturopathic doctor charges the GST/HST on exempt supplies of naturopathic services made after February 11, 2014, he or she is <b>not</b> entitled to claim an ITC for the GST/HST paid or payable on property or services acquired, imported or brought into a participating province to the extent of consumption, use or supply in rendering these services. However, the naturopathic doctor is required to remit the GST/HST charged on exempt supplies unless the naturopathic doctor adjusts, refunds or credits the amount charged as tax in error to the patient.</p>
--

---

### **Further information**

All **GST/HST technical publications** are available on the CRA website at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).

To make an **enquiry** on the **GST/HST** by telephone:

- for **GST/HST general enquiries**, call the **Business Enquiries** line at 1-800-959-5525;
- for **GST/HST technical enquiries**, call 1-800-959-8287.

If you are located in **Quebec**, contact **Revenu Québec** at 1-800-567-4692 or visit their website at [www.revenuquebec.ca](http://www.revenuquebec.ca).