



August 17, 2020

Via email: Bill.Morneau@Canada.ca

The Honourable William Morneau, P.C., M.P.
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, ON K1A 0G5

Dear Minister Morneau,

Re: Zero-rating Personal Protective Equipment

The Canadian Bar Association Commodity Tax, Customs and Trade Section (CBA Section) proposes that Personal Protective Equipment (PPE) be zero-rated in Part II to Schedule VI of the *Excise Tax Act*. The COVID-19 pandemic has demonstrated that PPE is a necessity of life and to ensure a consistent tax treatment with other necessities of life, it should not be subject to GST/HST.

Currently GST and HST applies to PPE at regular rates. This applies to face and surgical masks, plastic face shields, protective eyewear, gowns, garments, and surgical and disposable gloves. As a result, when health care providers, doctors, dentists, police, nursing or retirement homes, schools, universities, colleges or other purchasers not entitled to claim full input tax credits or rebate acquire this PPE, they must pay GST/HST.

We recommend that these PPE items be zero-rated. In addition, consideration should be given to zero-rating rubbing alcohol, disinfectant wipes, hand sanitizer and similar products considered essential to prevent the spread of COVID-19 and similar diseases.

While hospitals, not-for-profit organizations and other public sector entities have been able to claim partial rebates to recover a portion of the GST/HST on PPE, consumers and many businesses cannot recover the GST/HST by way of input tax credit or rebate. The impact is particularly severe for health care providers, front-line workers and consumers who would not normally purchase PPE.

Health care providers, front-line workers, doctors, dentists, seniors care homes, schools, universities and colleges and other businesses should not have to bear an unrecoverable GST/HST cost of PPE. Vulnerable people, including seniors and immune-compromised individuals, should not have to pay unrecoverable GST/HST on a necessity of life. In fact, nobody should have to pay GST/HST and other sales taxes on PPE as it is purchased to protect the health of the users and those they encounter.

Ventilators and respiratory assistive devices are medical devices that qualify for zero-rating. Eyeglasses and eyewear prescribed by a medical practitioner to a patient are zero-rated, but not eyewear and goggles to protect doctors, nurses and health care providers. Blood sugar testing kits are zero-rated, but COVID-19 testing kits are not. Hand sanitizers and disinfectants are not considered medical devices or basic groceries. Part I of Schedule VI to the *Excise Tax Act* lists prescription drugs and biologicals. PPE does not fit in this group.

We recommend adding the following in Part II to Schedule VI of the *Excise Tax Act*:

A supply of personal protective equipment designed or fitted to be worn by or for use by an individual and recommended in writing by a federal, provincial, municipal or other chief medical officer to protect persons from contracting or infecting others with the novel coronavirus (COVID-19) or similar diseases.

A flexible and revisable policy statement could also identify different types of PPE as zero-rated.

We would be pleased to discuss our proposal further.

Yours truly,

(original letter signed by Marc-Andre O'Rourke for Randall I. Schwartz)

Randall I. Schwartz
Chair, Commodity Tax, Customs and Trade Section