

Preamble:

Goods and services under the *Excise Tax Act* are either

1. Exempt or;
2. Taxable at either
 - a. 0% (zero-rated) or;
 - b. 5%.

Input tax credit are credits that registrants can claim to recover the GST paid or payable to their suppliers for goods or supplies they consumed, used, acquired or brought into their businesses to provide taxable goods and services (including zero-rated supplies).

1) Exempt

Under Part II of Schedule V of the *Excise Tax Act*, supplies of many health care services are exempt and are not subject to the GST. In general terms, health care services have to promote physical and mental health and the protection against disease and must be performed by health care professionals who are entitled to provide the health care services.

General Information for Optometry	
Exempt	Non-Exempt or Taxable
<ul style="list-style-type: none"> • Diagnostic services • Consultative services (with patients and other registered health care practitioners) • Treatment services (including vision therapy) <p><i>*Note: Provided by practicing optometrists only</i></p>	<ul style="list-style-type: none"> • Consultative services by a non-practicing optometrist.
<ul style="list-style-type: none"> • Services that are insured by OHIP to the extent that the amount charged for the supplies of services are paid or reimbursed by OHIP. • Regular and emergency eye health care services rendered to employees by an optometrist who is on contract to large employers to provide these services. 	<ul style="list-style-type: none"> • Services required for employment or insurance purposes. • Witness fees for court appearance. • Certificates for recreational camps or educational institutions. • Fees for medico-legal reports. The provision of an opinion on a legal issue of an ocular nature is not considered “consultative or diagnostic”.
<ul style="list-style-type: none"> • “Small supplier” optometrists with taxable GST supplies (including zero-rated supplies) that are less than \$30,000 per year. Registration is optional. 	<ul style="list-style-type: none"> • There is a mandatory requirement to register for GST purposes when an optometrist is no longer considered a “small supplier” or when the taxable services are greater than \$30,000 in the previous four quarters.

Arrangement	Exempt	Non-Exempt or Taxable
Group Practice (Partnership and Cost-Sharing)	<ul style="list-style-type: none"> • Services are deemed to be acquired directly by each doctor and are exempt if an “agency” relationship exists between the doctors whereby one party (the agent) acts on behalf of the other parties (the principals). 	<ul style="list-style-type: none"> • A “re-supply” relationship exists between the doctors when one doctor pays the office expenses and bills the respective share of expenses to the other parties. This “re-supply” of services is subject to GST and the GST paid is not

	<p><i>**Note: legal documentation to support such a relationship is strongly advised.</i></p>	<p>refundable.</p> <ul style="list-style-type: none"> • Example: staff salaries, which the doctor does not pay tax, are now taxable when they are charged to the other parties.
<p>Use of Management Companies</p>	<ul style="list-style-type: none"> • Annual revenues less than \$30,000 annually. • A management company that acts in an “agency” capacity, on behalf of the optometric practice <p><i>**Note: a written agency agreement to support the relationship is strongly advised.</i></p>	<ul style="list-style-type: none"> • Management corporations with taxable services exceeding \$30,000 per year <u>must</u> register for GST purposes. • Management fees/charges for the use of the facilities and administrative services to other health care professionals are taxable and the GST paid is not recoverable.
<p>Locum or Associates</p>	<ul style="list-style-type: none"> • An established practitioner who bills the patient for services provided by an “employee” Associate who is paid a wage or per Diem or a % of the fee. 	<ul style="list-style-type: none"> • An Associate who operates a practice within a practice of an established practitioner and/or who bills the patient for the services and pays the established practitioner a set fee or a percentage of the fee for the use of the facilities and administrative services. • The GST paid by the Associate is not recoverable. <p><i>**Exception: the total payments each year are less than \$30,000 and the established practitioner is not a registrant.</i></p>
<p>Acquisition or Termination of Practice</p>	<ul style="list-style-type: none"> • Sale of the equipment and goodwill. 	<ul style="list-style-type: none"> • Sale of leasehold improvements is subject to GST and is refundable only if you originally paid the GST on the leaseholds.

2) Taxable at 0% (zero-rated) or 5%

Taxable supplies are all supplies made use of in the course of a commercial activity and may be taxable at 0% (zero-rated supplies) or 6%.

Schedule VI of the *Excise Tax Act* contains nine Parts listing supplies of property and services that are zero-rated under the GST. For Optometry, zero-rated goods and services fall under “Medical and Assistive Devices”.

Taxable Goods and Services	
At 0% (Zero-Rated)	At 5%
<ul style="list-style-type: none"> • Prescription eyewear for the treatment or correction of defects of vision including; but not limited to; eyeglasses, goggles, sunglasses, safety glasses • Complementary Plano sunglass “clip-on” units, when dispensed concurrently with prescription lenses in the frame • Contact lenses supplied on the written order of an eye care professional for the treatment or correction of defects of vision including Plano bandage contact lenses • Effective Oct 8, 1999, eyeglasses and contact lenses that are intended to be sold under prescription at the retail level are taxable at 0% at the “pre-retail” level as well • Contact lens service contracts • Eye glass cases (when provided with prescription eyewear) • Contact lens solutions (when provided with prescription contact lenses) • Repairs and replacement for zero-rated ophthalmic appliances • Low vision or sight-enhancement devices that are specially designed for the use of blind individuals and supplied by the CNIB or any other bona fide institution or association for blind individuals or on the order or certificate of a medical practitioner. • Communication devices specially designed for use by an individual with vision impairment • Ocular prosthetics • Prescription drugs <p><i>**Note: ALL treatment services provided by optometrists including, but not limited to, the dispensing of prescription eyewear and/or contact lenses are exempt from GST</i></p>	<ul style="list-style-type: none"> • Non-prescription or Plano goggles, safety eyewear, and sunglasses • Complementary clip-on Plano sunglasses units that are not dispensed concurrently with prescription lenses in the frame • Non prescription or Plano cosmetic contact lenses unless on the order of an eye care professional • Eye glass cases except when dispensed with prescription eyewear • Repairs and replacement for non zero-rated ophthalmic appliances • General use optical devices including, but not limited to; magnifiers, telescopes, binoculars, spectacle telescopes • Over-the-counter medications • Contact lens solutions except when dispensed with contact lenses • Accessories such as cords & chains, lens sprays, cleaning cloths, etc. • Professional service or dispensing fees for any goods taxable at 6% • Taxable supplies to the federal government or its agencies (DVA, H & W, RCMP) • Any other items subject to GST

3) Input Tax Credits

Examples of operating expenses for which practitioners may claim an input tax credit (ITC) are:

- commercial rent
- equipment rentals
- advertising
- utilities, and
- office supplies

Eligibility Criteria		
Type of Practice	Not Eligible	Eligible
Non Dispensing	<ul style="list-style-type: none"> • Practitioners cannot claim ITCs for operating expenses consumed in the provision of diagnostic services or exempt activities. 	
Dispensing with or without an edging and/or surfacing facilities		<ul style="list-style-type: none"> • The practitioner must be a registrant during the reporting period in which the GST on the property or service becomes payable or is paid without having become payable. • Practitioners providing both taxable and exempt goods and services and who can attribute a minimum of 10% of their operating expenses to taxable goods/services (including zero-rated supplies) can claim ITCs for the part of those expenses they use in their “commercial” or dispensing activities. • For mixed-use expenses, practitioners have to determine their percentage of use in their “commercial” or dispensing activities. This is determined at the practitioner’s discretion and may be on the basis of revenue, hours of work, square footage, etc. and must be “fair, reasonable and used consistently” throughout the year. • Practitioners must have sufficient documentary evidence to substantiate their allocations for ITC and should keep detailed records about the prorating calculations. • “Free supplies”: Practitioners may claim ITCs for supplies acquired with the intention of being provided at a nominal or nil charge to promote or facilitate the making of taxable (including zero-rated) supplies. • Management corporations are entitled to claim input tax credits for the tax paid for business expenses used to provide services such as accommodation and administration.

GST		PST/RST	
At 0% (Zero-rated)	At 5%	Tax Exempt	At 8%
<ul style="list-style-type: none"> • Prescription eyewear for the treatment or correction of defects of vision including; but not limited; to eyeglasses, goggles, sunglasses, safety glasses • Complementary Plano sunglass “clip-on” units, when dispensed concurrently with prescription lenses in the frame • Contact lenses supplied on the written order of an eye care professional for the treatment or correction of defects of vision including Plano bandage contact lenses • Effective Oct 8, 1999, eyeglasses and contact lenses that are intended to be sold under prescription at the retail level are taxable at 0% at the “pre-retail” level as well • Contact lens service contracts 	<ul style="list-style-type: none"> • Non-prescription or Plano goggles, safety eyewear, and sunglasses • Complementary clip-on Plano sunglasses units that are not dispensed concurrently with prescription lenses in the frame • Non prescription or Plano cosmetic contact lenses unless on the order of an eye care professional • Eye glass cases except when dispensed with prescription eyewear • Repairs and replacement for non zero-rated ophthalmic appliances • General use optical devices including, but not limited to; magnifiers, telescopes, binoculars, spectacle telescopes • Over-the-counter medications • Contact lens solutions except when dispensed with contact lenses 	<p>Most items purchased by Status Indians, Indian bands or band councils, for uses on Reserves are exempt from RST. To receive the exemption, Status Indians must show their federal ‘Certificate of Indian Status’ identification card. If the Status Indian takes the goods with him/her, you must record the purchaser’s federal identification card number, name, band name or registry number, and a brief description of the goods sold. Where an Indian band or band council claims an exemption, you must obtain a properly completed <i>Purchase Exemption Certificate (PEC)</i> that is signed by a member of the Indian band or band council.</p>	<p>For Optometrists who sell “retail” items or ophthalmic appliances that are not on the written order of an eye care professional, the PST must be collected on the value of the item as well as on the professional service fee charged for goods taxable at 8%. Items which are included in this requirement include:</p> <ul style="list-style-type: none"> • Plano sunglasses, safety eyewear and goggles • Complementary clip-on Plano sunglass units dispensed concurrently with prescription eyewear when the total cost of the clip-on is greater than 10% of the entire package. (Clip-on sunglass units are generally 33% of the value of the frame and clip-on combination), • Plano cosmetic contact lenses, • Repairs and replacement services for PST taxable items,

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