

Sales and Excise Tax - 2017 Federal Budget

Taxi and Ride-Sharing Services

Budget 2017 proposes to amend the definition of a taxi business to include all persons engaged in a business of transporting passengers for fares by motor vehicle within a municipality and its environs where the transportation is arranged for or coordinated through an electronic platform or system, such as a mobile application or website. As taxi businesses do not qualify for the small supplier exemption, they are required to register for, and collect, GST/HST.

These changes will only apply to transportation that is supplied in the course of a commercial activity. These changes will not apply to a school transportation service for elementary or secondary students or a sightseeing service.

It seems likely this proposal was intended, at least in part, to resolve ongoing uncertainty of the GST/HST status of services such as Uber.

This proposal will be effective July 1, 2017.

Naloxone

Budget 2017 proposes to address an issue related to naloxone, a drug used to treat opioid (e.g. fentanyl) overdose. At present, the drug is GST/HST free only when issued under a prescription, and not when used in emergency situations with no prescription. Budget 2017 proposes to add naloxone to the list of GST/HST-free prescription drugs used to treat life-threatening conditions.

The measure will generally come into effect on March 22, 2016, with exceptions for pre-Budget Day situations where GST/HST has already been charged, collected, remitted or paid.

Tour Package Accommodations

Budget 2017 proposes to repeal the GST/HST rebate available to non-residents for the GST/HST that is payable in respect of the accommodation portion of eligible tour packages. The Budget indicates that the Government will invest in enhanced tourism marketing.

This repeal will generally apply in respect of supplies of tour packages or accommodations made after Budget Day. As a transitional measure, the rebate will continue to be available in respect of a supply of a tour package or accommodations made before January 1, 2018 if all of the consideration for the supply is paid before January 1, 2018.

Tobacco Taxation

Budget 2017 proposes to eliminate the tobacco manufacturers' surtax. In order to maintain the intended tax burden of the manufacturers' surtax on tobacco products, Budget 2017 also proposes to increase tobacco excise duty rates, effective the day after Budget Day. The increased excise taxes will apply to inventory of tobacco products at the end of Budget Day, to be remitted by May 31, 2017.

Alcohol Taxation

Budget 2017 proposes that excise duty rates on alcohol products be increased by 2 per cent effective the day after Budget Day, in respect of duty that becomes payable after that date. No special inventory tax will apply to alcohol products on which duty has been paid. In order to maintain their effectiveness, it is also proposed that the rates be automatically adjusted by the Consumer Price Index on April 1 of every year, starting in 2018.