

End of the Administrative Relief on Taxes Applicable to Dentists

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Online Tax Strategies

The Canada Revenue Agency (CRA) announced the revocation of the administrative arrangement with the Canadian Dental Association for dentists registered with the Goods and Services Tax/Harmonized Sales Tax (GST/HST).¹ This revocation will come into effect on January 1, 2025.

This arrangement, adopted in 1991, allowed dentists to benefit from certain administrative facilities in calculating input tax credits (ITCs).

Effect of revoking the arrangement

Under the arrangement, dentists who were GST/HST registrants could estimate the percentage of their commercial activity at 35% in order to calculate the eligible ITCs related to the supply of orthodontic appliances, prosthetics or artificial teeth.

With the revocation of the arrangement, dentists, denturists and orthodontists will now be required to follow the general GST/HST rules to claim ITCs. In practice, they will therefore claim ITCs throughout the fiscal year, based on their actual use for commercial purposes, which will no longer be estimated at 35 %.

Therefore, in accordance with the ITC rules, it will be necessary to establish the eligible ITCs according to the actual commercial use of the property or service acquired, the movable property used as capital property and the capital real property.

For example, no ITC can be claimed for GST/HST paid or payable on the purchase of goods or services if substantially all (90% or more) of such purchases is used in the course of the dentist's exempt activities.

Two distinct types of supplies

Revoking the administrative arrangement will not prevent dentists, denturists and orthodontists from considering that they provide two different types of services. However, they must ensure that they invoice the supply of health services separately from that of orthodontic appliances, prosthetics or artificial teeth.

Indeed, the recent decision *Canada v. Dr. Kevin L. Davis Dentistry Professional Corporation*² confirms that a conventional orthodontic practice provides various exempt services and zero-rated appliances, subject to the exceptions listed in the *Axelrod v. The King* decision.³

Therefore, to be eligible to claim ITCs, dentists, denturists and orthodontists must ensure that they invoice the supply of health services separately from that of orthodontic appliances, prosthetics or artificial teeth. The percentage of commercial activities entitling them to claim ITCs will therefore be determined according to the actual amounts invoiced for the supply of orthodontic appliances, prosthetics or artificial teeth.

On the side of the Quebec Sales Tax (QST), since Revenu Québec has not yet announced its position on harmonization, it will be important to remain vigilant for any announcements on this matter.

Do not hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine which measures apply to your situation and assist you with the necessary steps to apply them.

We also invite you to visit [rcgt.com](https://www.rcgt.com) for any additional information.

¹ See [GHST/HST Notices – Notice 339 – Input Tax Credits Related to Dental Practices](#), published October 25, 2024.

² 2023 FCA 76.

³ 2022 TCC 157 (single interconnected and exempt supply, according to the facts in the case).