

Application of taxes to dentists: what's new following the abolition of administrative streamlining at the beginning of this year



On-line Tax Strategies*

The Canada Revenue Agency (CRA) had announced the revocation of the administrative agreement with the Canadian Dental Association regarding dentists registered for the Goods and Services Tax/Harmonized Sales Tax (GST/HST)¹. This revocation took effect on January 1, 2025. However, since the beginning of 2025, many professionals have noticed significant changes.

In December 2024, we discussed the impact of the revocation of the administrative agreement between the CRA and the Canadian Dental Association. In this regard, the CRA announced that it would maintain a tax distinction for tax recovery purposes for dentists and orthodontists between health services and services related to orthodontic appliances or artificial teeth.

As part of this revocation of the administrative policy, dentists must now bill separately for tax-exempt supplies (orthodontic appliances and artificial teeth) and health services exempt supplies in order to calculate a commercial percentage for determining input tax credits (ITCs) and input tax refunds (ITRs) based on the actual amounts billed for orthodontic appliances and artificial teeth.

However, the current tax treatment of artificial teeth has been called into question due to numerous clarifications and practical consequences regarding the treatment of distinct supplies.²

End of the distinction between tax-free and tax-exempt supplies

According to the CRA's latest official communications and the increased number of GST/HST audits in this area, the distinction regarding the supply of artificial teeth will no longer apply, unlike the supply of orthodontic appliances, which will remain a distinct supply of a tax-exempt medical device.

Consequently, when a dentist provides an artificial tooth, the CRA considers this to be a single supply of an exempt healthcare service for GST/HST purposes, rather than the previous treatment of a zero-rated supply for the amount charged for the artificial tooth and an exempt healthcare supply for the difference. Thus, no business percentage will now be attributable to this type of activity carried out by dentists.

Therefore, in order to act prudently in an uncertain and changing environment, we invite dentists to no longer claim CTIs or RTIs related to the production of artificial teeth, including all CEREC-related expenses. However, orthodontists will still be able to establish a percentage of commercial activity if the orthodontic appliance is billed separately.

Regarding Québec sales tax (QST), Revenu Québec has announced its intention to align with this policy. It will be important to remain vigilant for any official 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 steps needed to benefit from these measures.

For further information, visit our website at rcgt.com.

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

² As such, interpretation bulletin TVO.176-4/R2 should be removed from the Revenu Québec website in light of the upcoming changes.