

Hospitals

About this Guide

The information in this *Guide* explains how Retail Sales Tax (RST) applies to hospitals. Please note that this *Guide* replaces the previous version dated June 2001. Revisions to previous content have been identified by a bar (I).

Qualifying Hospitals

Certain hospitals and facilities may qualify for exemption from RST on patient care items purchased exclusively for their own use. These institutions include:

- hospitals approved and registered as “public hospitals” under the *Public Hospitals Act*
- hospitals established under the *Community Psychiatric Hospital Act* in Ontario
- “psychiatric facilities” established under the *Mental Health Act* in Ontario
- the Ontario Cancer Treatment and Research Foundation.

Federal hospitals, including Sioux Lookout Zone Hospital and Moose Factory General Hospital, and facilities such as homes for the aged, nursing homes and retirement homes do not qualify for the RST exemption.

A nursing home and a chronic care hospital may operate under one legal entity that holds a valid federal charitable registration number. In this instance, if the hospital is a qualifying hospital, it is entitled to the exemptions mentioned in this *Guide*. The nursing home may qualify for a refund on certain purchases. (See ***RST Guide 806 - Religious, Charitable and Benevolent Organizations***)

Hospital Restructuring

Qualifying hospitals or psychiatric facilities, as defined above, that acquire tangible personal property from another qualifying hospital or facility as a result of an amalgamation, transfer or closure of a hospital program, are exempt from paying RST on such transactions.

Non-Profit Medical Research Facilities

As of May 7, 1997, non-profit medical facilities may purchase equipment (and repair parts for the equipment), ***designed for, and used exclusively*** (90 per cent of the time) **in**, research and investigation, exempt from RST. Qualifying equipment must be used **only** for research and investigation. Equipment used in classroom instruction or for any other purpose does not qualify.

Equipment designed for, and used exclusively in, research and investigation may include, but is not limited to, the following types of items purchased for laboratory or scientific use: utensils and instruments, apparatus and equipment ancillary thereto, glassware and plastic ware, skeletons, animals and computers (including diskettes and pre-written software). Disposable items that are capable of being reused also qualify. These include disposable glassware, petri dishes and paper weighing boats. Equipment such as chalkboards, boats and word processors does not qualify. Supplies such as chemicals and gases are also taxable.

Tax-Exempt Items

Laboratory research and diagnostic equipment, patient care items or supplies used in a patient's room or any other area where the medical or surgical treatment of patients normally occurs can be purchased exempt from Retail Sales Tax (RST) by a qualified hospital. The following are examples of equipment or supplies that qualify for the exemption:

- cleaning supplies, such as soaps, detergents, floor wax, paper towels, disinfectants, etc., only if purchased by the hospital for use within the hospital building where patients normally receive medical or surgical treatment. Some hospitals have a separate building used solely to house families of patients; RST is to be paid on the supplies specifically purchased for this building. Another example of taxable use would be supplies specifically purchased for use in nurses' residences.
- drugs and medicines including:
 - any substance or object for diagnosis, treatment, lessening, or prevention of disease
 - any substance or object used to restore, correct, or change body functions
- medical records for patient care and patient menus
- patient care equipment, furniture, and supplies used in patients' rooms or a location where patients normally receive medical or surgical treatment
- repair parts and labour for equipment that qualifies for exemption
- research and laboratory supplies
- uniforms supplied free of charge to nurses, laboratory staff, and others providing patient care, but not uniforms supplied to housekeeping, maintenance, or volunteer workers
- x-ray equipment
- x-ray film and the chemicals required to develop the film.

Taxable Items

Hospitals must pay RST on the following items:

- carpeting and furniture, such as coat racks and lounge furniture, **not** used in patient or treatment rooms
- housekeeping equipment, such as brooms, floor polishers, laundry carts and vacuum cleaners
- kitchen and dietary supplies, such as cutlery, dishes, glassware, and kitchen utensils
- maintenance equipment, such as electrical tools, ladders, lathes, lawn mowers, saws, and small tools
- motor vehicles, including ambulances
- office and administrative equipment and supplies
- patient identification cards
- recreational equipment, such as motion picture equipment, games, television sets, and radios
- any other equipment, supplies or materials not used directly in the medical or surgical treatment of patients.

Note:

For the balance of this *Guide*, a “designated area” means: a patient's room, locations where patients normally receive medical or surgical treatment, and/or a laboratory research area.

Computer Hardware and Programs

- Hardware** Computer hardware, including terminals, keyboards, central processing units (CPUs), and other associated equipment, is exempt from Retail Sales Tax (RST) provided the equipment is located in a designated area.
- For purposes of hygiene and safety, computer equipment for the operating theatres is normally located near the operating theatre or room. To qualify for exemption from RST, the equipment must clearly be in a location adjoining the operating theatre or room to be considered within the designated area.
- Hard drives or other non-volatile electronic storage media, such as tapes, disks, etc., used exclusively for the storage of patient records, are RST exempt. This exemption is in line with the exemption for patient records stored on paper. This means that the media will qualify for exemption **only** if it is used **exclusively** for patient records. A mix of administrative and medical records makes the storage media taxable. The exemption for the media applies regardless of storage location, but the exemption does not include the CPU or associated hardware, unless it is located within a designated area.
- Computers located at nursing stations, reception or registration areas, pharmacies, doctors' offices, waiting rooms, blood banks, administrative areas, or similar non-treatment or non-designated areas are taxable.
- Programs** Hospitals must pay RST on their purchase of computer programs **unless**:
- the computer program has been developed solely to meet the requirements of a specific hospital, or
 - the computer program is used **exclusively** in the medical or surgical treatment of patients or in laboratory research and diagnosis **and** is installed on a computer located in a "designated area", as defined earlier.

Meals

- Tax-Exempt** RST does not apply to:
- meals provided to patients, staff, or visitors without specific charge
 - prepared foods sold in a cafeteria for a total charge of \$4.00 or less, excluding the federal Goods and Services Tax (GST). (See **RST Guide 300 - Prepared Foods**)
- Taxable** Prepared food products sold for a total charge of more than \$4.00 (excluding GST).
- Disposable Articles** RST is payable on all disposable articles given away with prepared meals provided without specific charge to patients, staff or visitors. Disposable articles include paper napkins, cups, straws, disposable cutlery, paper placemats, etc. These items qualify for exemption as goods purchased for resale when used in an eating establishment, such as a cafeteria, where prepared food products are sold.

Central Laundry Facilities

Central laundry facilities provide linen service to public hospitals, nursing homes and other institutions. Central laundry facilities may purchase certain items exempt from RST if used to provide a service exclusively for qualifying hospitals.

Central Laundry Facilities (continued)

These items include:

- bed linen and operating room linen
- patient gowns and pyjamas
- uniforms, laboratory coats, gowns, and face masks provided free of charge to medical staff providing patient care.

Retail Sales Tax (RST) applies to all other equipment and supplies, which include:

- uniforms for housekeeping and maintenance staff
- detergents and cleansers
- laundry, maintenance, and office equipment
- office supplies
- repairs to equipment.

Contractors

Contractors may buy certain equipment that, when installed, becomes a fixture attached to the real property of a hospital. Purchase Exemption Certificates (PECs) may be issued to suppliers in order to buy qualifying patient care equipment exempt from RST. Examples include:

- communication equipment used by patients to call for assistance
- oxygen masks and similar equipment attached to wall outlets
- special lighting in operating rooms
- track for RST-exempt equipment, such as x-ray equipment.

Furniture that is normally freestanding in patients' rooms, but is secured to walls, floors, or ceilings for safety reasons, is exempt from RST.

Note:

It is the responsibility of contractors to determine if the hospital and/or equipment qualifies for exemption from RST. An assessment can be raised by the Ministry of Finance against contractors if they incorrectly issue PECs to suppliers.

Taxable Items

Contractors must pay RST on building materials used in hospital construction or repair.

Taxable items include:

- curtain and drapery track
- gas lines, including oxygen lines that become part of the building
- wiring, including electrical wiring and communication wiring, that becomes part of the building.

Legislative References

Retail Sales Tax Act, Subsection 9(3), Paragraphs 7(1)(38) and 7(1)(63)
Regulation 1012 under the Act, Sections 1 and 12
Regulation 1013 under the Act, Section 1

For More Information

The information contained in this publication is only a guideline. For more information, please contact the Ontario Ministry of Revenue at 1 866 ONT-TAXS (1 866 668-8297) or visit our website at ontario.ca/revenue.

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