

# GST/HST Info Sheet

## Application of the GST/HST to Sales of Water

October 2006

This info sheet explains how the goods and services tax/harmonized sales tax (GST/HST) applies to sales of water.

In this publication “taxable” means subject to the GST/HST at 6% or 14%. “Zero-rated” means subject to the GST/HST at 0%, and “exempt” means not subject to the GST/HST.

The supply of basic groceries, which includes most food and beverages marketed for human consumption, is zero-rated. However, certain categories of food products such as candies and confectionery and carbonated beverages are taxable. For more information on basic groceries, refer to GST/HST Memorandum 4.3, *Basic Groceries*.

Products that are consumed for their therapeutic or beneficial effects (referred to in this info sheet as dietary supplements) are not basic groceries, and consequently sales of these products are taxable. For more information on how to determine whether a product is considered a dietary supplement, refer to GST/HST Info Sheet (GI-001), *Products Commonly Described as “Dietary Supplements”*.

For convenience, we have grouped water for human consumption that is not a dietary supplement into the following categories:

- bottled water – non-carbonated and non-fruit-flavoured;
- carbonated water – bottled or unbottled;

- fruit-flavoured water – bottled or unbottled; and
- unbottled water – non-carbonated and non-fruit-flavoured.

We have also included information on ice made from potable and non-potable water as well as dry ice.

A supply of water may be taxable, zero-rated or exempt depending on the manner in which it is sold.

For GST/HST purposes, a single serving of a beverage means any serving that is less than 600 millilitres (mL) in volume.

### **Bottled water – non-carbonated and non-fruit-flavoured**

Water sold in a single-serving-size bottle is taxable. When water is sold in manufacturers’ or producers’ packages of two or more single-serving-size bottles, it is zero-rated. Water sold in a bottle that exceeds a single serving size is also zero-rated.

When a manufacturer’s case is broken open and single servings are sold individually from the case, the sale of the individual single serving is taxable. The sale of a portion of a case or of a part case is also taxable.

All bottled water sold from a vending machine is taxable regardless of container size.

GI-022

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There are many terms used to describe water sold in bottles, for example, words such as spring, mountain, natural, pure, enhanced, and distilled may refer to the purity or source of a particular brand of water, but do not affect the tax status of the water.

Bottled water may contain ingredients such as caffeine, herbs, minerals, oxygen, and vitamins. In general, these ingredients will not affect the GST/HST treatment of the water, provided that the water is consumed to quench thirst or for enjoyment, and is not considered to be a dietary supplement.

### **Carbonated water – bottled or unbottled**

Sales of carbonated water are taxable regardless of container size. It does not matter whether the water was carbonated naturally or artificially, or whether the water is flavoured or not. In addition to the term “carbonated”, words such as sparkling, soda water or effervescent refer to carbonation and indicate that the supply of the water is taxable.

### **Fruit-flavoured water – bottled or unbottled**

Sales of non-carbonated fruit-flavoured water are taxable regardless of container size or packaging.

### **Unbottled water – non-carbonated and non-fruit-flavoured**

Sales of individual single servings of unbottled water for human consumption are taxable. All unbottled or bulk water is zero-rated when it is sold to consumers in a quantity exceeding a single serving when dispensed through a vending machine or at the permanent establishment of the vendor.

Much of the water that is sold for human consumption does not come in bottles or containers, but is delivered in large volumes by water pipes. Generally, these types of sales are provided by governments or persons designated to be a municipality. For further information, refer to GST/HST Guide RC4049, [Information for Municipalities](#). Where there are no water lines, a water hauler may deliver water in bulk. For information on water haulers, refer to GST/HST Info Sheet (GI-011), [Water Haulers](#).

### **Ice**

Ice made from potable water is zero-rated when sold as ice cubes or as a large block, regardless of how the ice is used. Ice made from water not suitable for human consumption (non-potable water), including salt water, is taxable.

The solid form of carbon dioxide is known as dry ice. Dry ice is not suitable for human consumption and is taxable.

The following table summarizes the GST/HST treatment of water, and the examples following the table illustrate how the GST/HST applies to sales of water in various situations.

	Bottled non-carbonated non-fruit-flavoured			Carbonated bottled or unbottled	
<b>Serving</b>	Less than 600 mL	600 mL or more	Package of 2 or more	Any size	
<b>Other factors</b>				Naturally or artificially	
<b>Tax status</b>	Taxable	Zero-rated*	Zero-rated	Taxable	
	Fruit-flavoured bottled or unbottled	Unbottled non-carbonated non-fruit-flavoured		Ice	
<b>Serving</b>	Any size	Less than 600 mL	600 mL or more	Any size	
<b>Other factors</b>			To a consumer from a vending machine or at a permanent establishment	For human consumption	Dry ice, salted, non-potable
<b>Tax status</b>	Taxable	Taxable	Zero-rated	Zero-rated	Taxable

\*Taxable if supplied through a vending machine.

#### Example 1

Mr. B goes into a grocery store and buys a 591 mL bottle of water that is unflavoured and non-carbonated. Mr. B's purchase is taxable because it is a single serving of bottled water.

#### Example 2

Ms. A purchases an 800 mL bottle of brand S water that is labelled as naturally sparkling. Ms. A's purchase of brand S water is taxable because all sales of carbonated water, whether carbonated naturally or artificially, are taxable regardless of the size of the container in which the water is sold.

#### Example 3

Mr. B goes to the grocery store and buys two 591 mL bottles of unflavoured and non-carbonated brand W water, which he takes from the cooler one at a time. The next day Mr. B goes to the store and buys a two-pack of the 591 mL size of the same brand of water, sealed together in a plastic wrap by the manufacturer.

In this example, Mr. B's purchase of two bottles of brand W water on the first day is taxable because they were not packaged together by the manufacturer. Even though the bottles were purchased at the same time, two or more single-serving-sized bottles of water must be packaged together by the manufacturer to be zero-rated.

Mr. B's purchase of the two-pack of water on the second day is zero-rated because the two single-serving-sized bottles of water were packaged together by the manufacturer.

#### Example 4

Mr. B goes to the grocery store and sees that the 1.5 litre size of brand W non-carbonated water that he has been purchasing is on sale and he buys it.

Mr. B's purchase of the 1.5 litre bottle of water is zero-rated because sales of non-carbonated water in bottles greater than a single serving are zero-rated.

#### Example 5

The grocery store where Ms. A usually shops is closed and so she buys a 750 mL bottle of water from a vending machine outside the store. Ms. A's purchase of the water is taxable because all supplies of bottled beverages, including water, dispensed from vending machines are taxable.

#### Example 6

Ms. A stops in at the grocery store to buy her favourite brand of water and by mistake picks up a 700 mL bottle of a non-carbonated brand of water that the label describes as mountain pure natural spring water. She decides to purchase this brand of water to see if it is better than her usual brand. In this example, Ms. A's purchase of the water is zero-rated because the water is non-carbonated, is not fruit flavoured, and is in a bottle that contains more than a single serving.

### Example 7

Mr. B goes to the grocery store and buys a 700 mL bottle of non-carbonated strawberry-flavoured water. The label on the bottle states that the drink contains 7% real fruit juice. Later that same day, he goes into a convenience store and purchases the one-litre size of the same product, which he obtains from the self-service unbottled drink dispenser. In this example, both purchases are taxable because all sales of fruit-flavoured water containing less than 25% natural fruit juice are taxable regardless of serving size and whether it is bottled or unbottled.

### Example 8

A hotel buys two large bags of Brand C ice. The label on one bag states that it is “ice to keep your drinks cool”, and indicates that the ice is made from potable water. The hotel uses this ice in its bar. The label on the second bag reads “salt water ice to keep your fish fresh”. The hotel’s restaurant uses this ice to preserve fish that it has bought. The purchase of the first bag of ice is zero-rated because it is made from potable water and is suitable for human consumption. The second bag of ice is taxable because it is not suitable for human consumption.

The information in this info sheet does not replace the law found in *the Excise Tax Act* (Act) and its Regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate Regulation, or contact a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more information. These centres are listed in GST/HST Memorandum 1.2, [Canada Revenue Agency GST/HST Rulings Centres](#). If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287. A ruling should be requested for certainty in respect of any particular GST/HST matter.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling the toll-free number 1-800-567-4692.

All GST/HST publications are available on the Internet at the CRA site at [www.cra-arc.gc.ca/tax/technical/gsthst-e.html](http://www.cra-arc.gc.ca/tax/technical/gsthst-e.html).

Reference in CRA publications is made to the harmonized sales tax (HST) that applies to property and services provided in Nova Scotia, New Brunswick, and Newfoundland and Labrador (the “participating provinces”) at a rate of 14%. The goods and services tax rate is 6%.