

GST/HST Info Sheet

Beverages

July 2007

This info sheet describes how the GST/HST applies to beverages. Detailed information on beverages is available in GST/HST Memorandum 4.3, *Basic Groceries*.

In this publication, “taxable” means subject to the GST/HST at 6% or 14%. “Zero-rated” means subject to the GST/HST at 0%.

Sales of basic groceries, which include most food and beverages marketed for human consumption, are zero-rated. The Canada Revenue Agency (CRA) considers beverages to be goods that an average consumer would recognize and purchase in the ordinary course of buying basic groceries, and would consume to sustain or maintain life, to allay thirst, or for enjoyment. On the other hand, a product marketed for its beneficial effects and added to a beverage as a means of consuming the product would not be considered a beverage.

The following products are not considered beverages for GST/HST purposes, and therefore are not covered in this info sheet:

- meal replacement products and nutritional supplements that meet the criteria set out in the *Food and Drugs Act*;
- dietary fibre added to water or juice as a means of consuming the fibre; and
- therapeutic or preventative products in liquid form that are consumed for the treatment or prevention of a disease.

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”*.

Beverages may be taxable or zero-rated. For purposes of this info sheet, beverages are grouped into the following categories:

- alcoholic beverages
- carbonated beverages
- non-carbonated beverages
 - serving size and packaging format
 - fruit juices and fruit-flavoured beverages
 - vegetable juice beverages
 - syrups, crystals, and powders added to water to form a beverage
 - milk and milk-based beverages
 - soy and rice-based beverages
- beverages sold under certain conditions
 - heated for consumption
 - dispensed at a place where sold
 - catered beverages
 - sales through a vending machine
 - sales in establishments

Information on the application of the GST/HST to water is available in GST/HST Info Sheet (GI-022), *Application of the GST/HST to Sales of Water*.

GI-036

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La version française du présent document est intitulée *Les boissons*.

Canada

Alcoholic beverages

Wine, spirits, beer, malt liquor or other alcoholic beverages as well as de-alcoholized beer and de-alcoholized wine are taxable regardless of serving size or packaging format. De-alcoholized beer and de-alcoholized wine, whether imported or produced domestically, are considered to be beer and wine for GST/HST purposes.

This category does not include cooking wines sold and represented as condiments. Cooking wines generally have a high salt content and are not suitable for consumption as a beverage. Therefore, cooking wines are zero-rated.

Example 1

Product A is marketed as a non-alcoholic beer. It contains 0.5% alcohol, and is sold in 350 millilitres (mL) cans that are pre-packaged by the manufacturer in 6 or 12 packs.

Product A is an alcoholic beverage even though it contains very little alcohol. Product A is taxable regardless of serving size or packaging format.

Carbonated beverages

Carbonated beverages are taxable regardless of serving size or packaging format. Examples include carbonated soft drinks, mixers such as tonic and soda water, carbonated mineral water, sparkling water, carbonated juices, and non-alcoholic malt beverages.

Many establishments operate soda fountains. These fountains are operated with cylinders of pre-mix or post-mix. Pre-mix is a carbonated beverage. It is supplied in a cylinder and contains all the syrups and CO₂ required. The operator attaches this to the fountain and the fountain dispenses a carbonated beverage. Pre-mix acquired by such establishments is taxable. Post-mix contains other ingredients for a carbonated beverage but does not contain CO₂. Post-mix is zero-rated.

Example 2

Product B is marketed as a sparkling natural fruit juice. It is sold in 500 mL bottles and 6-packs pre-packaged by the manufacturer.

Product B is a carbonated beverage and is taxable regardless of serving size or packaging format.

Non-carbonated beverages

Serving size and packaging format

For GST/HST purposes, most single servings of a beverage are servings that are less than 600 mL in volume.

The beverage categories listed below are non-carbonated forms of particular beverages. Non-carbonated beverages that are otherwise zero-rated may be taxable when sold in single servings. This does not include unflavoured milk.

Such beverages would continue to be zero-rated when sold in multiples of single servings pre-packaged by the manufacturer or producer, or when the container in which the beverage is sold contains a quantity exceeding a single serving.

Beverages that are prepared and pre-packaged specially for consumption by babies are zero-rated, regardless of serving size and packaging format. However, as discussed under the heading “Beverages sold under certain conditions” such beverages may be taxable.

Fruit juices and fruit-flavoured beverages

Fruit juices and fruit-flavoured beverages (excluding milk-based beverages) that contain less than 25% by volume of a natural fruit juice are taxable regardless of serving size or packaging format.

Fruit juices and fruit-flavoured beverages (excluding milk-based beverages) that contain 25% or more by volume of a natural fruit juice are taxable when sold in a single serving. Such beverages are zero-rated when sold in multiples of single servings pre-packaged by the manufacturer, and when sold in a container with a quantity exceeding a single serving.

Frozen fruit juice beverage concentrates are zero-rated if the percentage of natural fruit juice in the concentrate is 25% or more by volume. If the percentage of natural fruit juice in the concentrate is less than 25% by volume, the concentrate is taxable.

Iced tea beverages, whether fruit flavoured or not, are considered tea and are taxable when sold in a single serving. Iced tea beverages sold in multiples of single servings pre-packaged by the manufacturer

or in containers with a quantity exceeding a single serving are zero-rated.

The percentage of fruit juice content does not apply to milk-based beverages. The term “milk-based” refers to a beverage that has milk (e.g., whole, skimmed, and partly-skimmed) as the main ingredient.

Example 3

Product C is a 100% pure apple juice. It is sold in grocery stores in individual 250 mL boxes as well as in 250 mL boxes pre-packaged by the manufacturer in sets of 3, and in one litre boxes.

Product C is a fruit juice beverage with greater than 25% total natural fruit juice content. Product C is taxable when sold in single serving 250 mL boxes. Product C is zero-rated when sold in 250 mL boxes pre-packaged by the manufacturer in sets of 3 and in the one litre boxes.

Example 4

Product D is a fruit juice beverage. The product label states it contains 20% real fruit juice. It is available in individual 250 mL boxes, in 250 mL boxes pre-packaged by the manufacturer in sets of 3, and in one litre boxes.

Product D is a fruit juice beverage with less than 25% total natural fruit juice content, and is taxable regardless of serving size or packaging format.

Example 5

Product E is a fruit-juice-blend beverage. The product label states it contains 15% pure apple juice and 15% pure raspberry juice. It is sold in convenience stores and is available in individual 250 mL boxes and in one litre boxes.

Product E is a fruit juice beverage with more than 25% total natural fruit juice content. Product E is taxable when sold in 250 mL boxes. Product E is zero-rated when sold in one litre boxes.

Example 6

Product F is a non-carbonated fruit-punch-flavoured sports beverage. It contains fruit flavourings, but does not contain any real fruit juice. It is sold in 350 mL and 750 mL bottles.

Product F is a fruit-flavoured beverage with less than 25% natural fruit juice, and is taxable regardless of serving size.

Example 7

Product G is a strawberry-flavoured skim milk beverage that is sold in grocery stores in 250 mL cartons and in one litre cartons. It contains no real fruit juice.

Product G is a milk-based beverage, and therefore the percentage of fruit juice content does not have an effect on

its tax status. Product G is taxable when sold in 250 mL cartons. Product G is zero-rated when sold in one litre cartons.

(Detailed information on milk-based beverages is found below under the heading “Milk and milk-based beverages”.)

Vegetable juice beverages

The application of the GST/HST to juices that are vegetable based (e.g., tomato, carrot) depends on whether they are fruit flavoured and their serving size.

Where a vegetable juice beverage is fruit flavoured and contains 25% or more natural fruit juice, it is zero-rated when sold in multiples of single servings pre-packaged by the manufacturer, or when sold in containers with a quantity exceeding a single serving. When sold in single servings, it is taxable.

Where a vegetable juice beverage is fruit flavoured and contains less than 25% natural fruit juice, it is taxable regardless of serving size or packaging format. Only the natural fruit juice content, and not the natural vegetable juice content, is taken into account when determining if the 25% natural fruit juice content is met.

Where a vegetable juice beverage is not fruit flavoured, it is zero-rated when sold in multiples of single servings pre-packaged by the manufacturer, or when sold in a container with a quantity exceeding a single serving, provided the beverage is not sold under certain conditions (see the information under the heading “Beverages sold under certain conditions”). When sold in single servings, it is taxable.

Although less than 600 mL in volume is considered a quantity that is a single serving, in very exceptional circumstances, the CRA will consider characteristics other than volume to determine whether a container of a beverage holds a single serving. The CRA will consider the characteristics of the beverage itself as well as the manner in which it is packaged, marketed and promoted to determine if it is a single serving. For example, a 540 mL can of vegetable juice that is sealed without a built-in opening device and that is not marketed as a single serving would not be considered a single serving.

Example 8

Product H is a tomato juice beverage that is sold in supermarkets in 250 mL cans with a pull-tab opener, in 540 mL sealed cans without a built-in opener and in one litre boxes.

Product H is a beverage that is not a fruit-flavoured or a fruit juice beverage. Product H is taxable when sold in 250 mL cans with pull-tab openers. Product H is zero-rated when sold in 540 mL sealed cans and in the one litre boxes.

Example 9

Product I is an orange and pineapple-flavoured carrot juice beverage. It contains 20% natural orange juice, 10% natural pineapple juice and 20% natural carrot juice. It is sold in convenience stores in 500 mL bottles and in 1.5 litre bottles.

Product I is a fruit juice beverage that contains 30% total natural fruit juice (orange and pineapple). Product I is taxable when sold in 500 mL bottles. Product I is zero-rated when sold in 1.5 litre bottles.

Example 10

Product J is a fruit-punch-flavoured carrot juice beverage. It contains 30% natural carrot juice and fruit flavourings. It does not contain any natural fruit juice. Product J is sold in 500 mL bottles, in 6-packs of 500 mL bottles pre-packaged by the manufacturer, and in 1.5 litre bottles.

Product J is a fruit-flavoured beverage that contains less than 25% natural fruit juice and is taxable regardless of serving size or packaging format.

Syrups, crystals, and powders added to water

Products such as syrups, crystals, powders, and flavourings for making beverages that are added to water to form a fruit-flavoured beverage and contain little or no actual fruit juice are taxable.

This does not include products added to liquids other than water (e.g., milk) to form a beverage. Products added to milk to form a beverage are zero-rated.

As well, this category of beverage does not include products added to water to form a beverage that is not fruit flavoured such as vanilla, chocolate, instant coffee, and flavoured coffees or teas. These products are zero-rated.

Further, lemon and other fruit-flavoured iced tea powders, crystals or concentrates are considered teas and are zero-rated.

The amount of syrup, crystal or powder packaged and sold has no impact on the application of tax.

Example 11

Product K is a lemon-flavoured sports drink powder. It is added to water to form a lemon-flavoured sports drink beverage.

Product K produces a fruit-flavoured beverage when added to water. It is taxable.

Example 12

Product L is labelled as a lemon-flavoured iced tea powder. It is added to water to produce an iced tea beverage.

Product L is considered a tea and is zero-rated.

Example 13

Product M is strawberry-flavoured syrup that is added to milk to produce a beverage.

Product M is fruit flavoured, however, it is not added to water to form a beverage. Product M is zero-rated.

Example 14

Product N is a powdered caramel-flavoured coffee that is added to hot water to produce a flavoured coffee beverage.

Product N does not produce a fruit-flavoured beverage. It is zero-rated.

Milk and milk-based beverages

The term milk refers to whole, skimmed and partly skimmed milk. It does not include non-animal source beverages such as soy or rice beverages. Milk-based beverages have milk as the main ingredient.

Unflavoured milk is zero-rated when sold in single servings, multiples of single servings or in containers with a quantity exceeding a single serving.

The exception to this rule is where unflavoured milk is sold under certain conditions (see the information under the heading “Beverages sold under certain conditions”). This exception also applies to flavoured milk. In this instance, unflavoured and flavoured milk are taxable.

Flavoured milk, including fruit flavoured or other flavours such as chocolate, is taxable when sold in

single servings. Flavoured milk when sold in multiples of single servings pre-packaged by the manufacturer or in containers exceeding a single serving is zero-rated. As previously indicated, the CRA generally considers a beverage of less than 600 mL to be a single serving, although other characteristics may be taken into account when determining if a serving of a beverage is a single serving.

Example 15

Product O is kefir, a fermented milk beverage. It is sold in strawberry, blueberry and vanilla flavours in grocery stores in 250 mL bottles and 500 mL containers. The 250 mL bottles are marketed as “grab & go”. The 500 mL container is designed so that it would need to be poured into a glass to be consumed. The beverage is rich and filling, and 500 mL cannot be consumed by an average person in a single serving.

Product O in a 500 mL container is not considered a single serving. Product O is zero-rated when sold in 500 mL containers. Product O when sold in 250 mL bottles is considered a single serving, and therefore is taxable.

Example 16

Product P is chocolate-flavoured milk that is sold in convenience stores in 250 mL cartons, in 750 mL jugs and in two litre jugs.

Product P is flavoured milk. Product P is taxable when sold in 250 mL cartons. Product P is zero-rated when sold in 750 mL jugs and in two litre jugs.

Example 17

Product Q is a drinkable yoghurt beverage. Its main ingredient is skim milk and it is available in strawberry and raspberry flavours. Product Q is sold in 250 mL bottles and in packages of 4 bottles pre-packaged by the manufacturer.

Product Q is a fruit-flavoured milk-based beverage. Product Q is taxable when sold in 250 mL bottles. Product Q is zero-rated when sold in packages of 4 bottles.

Soy and rice-based beverages

Soy and rice-based beverages are not considered milk or milk-based beverages. Soy and rice-based beverages that are fruit flavoured and contain less than 25% natural fruit juice by volume are taxable regardless of serving size or packaging format.

Soy and rice-based beverages that are fruit flavoured and contain 25% or more natural fruit juice by volume are taxable when sold in a single serving

size. These beverages are zero-rated when sold in multiples of single servings pre-packaged by the manufacturer or producer and when sold in a container with a quantity exceeding a single serving.

Soy and rice-based beverages that are not fruit flavoured (e.g., vanilla or chocolate) are taxable when sold in single serving sizes. These beverages are zero-rated when sold in multiples of single servings pre-packaged by the manufacturer or in a container with a quantity exceeding a single serving.

Example 18

Product R is a strawberry-flavoured soy beverage. It contains strawberry flavouring with no natural fruit juice and is sold in 250 mL bottles and in one litre bottles.

Product R is a fruit-flavoured beverage that contains less than 25% natural fruit juice, and is taxable regardless of serving size.

Example 19

Product S is a vanilla-flavoured rice beverage that is sold in supermarkets in 250 mL bottles and in one litre containers.

Product S is a beverage that is not fruit flavoured. Product S is taxable when sold in 250 mL bottles. Product S is zero-rated when sold in one litre containers.

Beverages sold under certain conditions

Up to this point in the info sheet, the application of the GST/HST to beverages depended on the characteristics of the beverage itself and its serving size. The characteristics of the beverage include fruit juice content, fruit flavoured, flavoured versus unflavoured milk, single serving size, multiples of single servings, and containers containing a quantity that exceeds a single serving.

From this point on, the application of the GST/HST to beverages depends on the conditions under which the sale of the beverage is made. Based on the characteristics of the beverage itself, a sale may be zero-rated. However, when a sale of the beverage is made under certain conditions, as explained below, it may be taxable.

Heated for consumption

All beverages heated for consumption are taxable. This includes beverages that have been heated or kept hot so they can be consumed hot.

Example 20

Product T is coffee sold in a two litre carafe. It is kept hot in the carafe.

Product T is a beverage that is heated and kept hot for consumption, and therefore is taxable when sold.

Dispensed at a place where sold

Beverages that are dispensed (e.g., sold in a cup) at a place where they are sold are taxable. This includes milk (flavoured and unflavoured), coffee, tea, iced tea, hot chocolate, and juice when dispensed where supplied regardless of size and whether hot or cold.

Example 21

Product U is 2% unflavoured milk. It is available in a cafeteria from a self-serve machine dispensed into plastic cups in 250 mL and 750 mL sizes.

Product U is a beverage that is dispensed into a cup at a place where it is sold. Product U is taxable when sold in both the 250 mL and 750 mL sizes.

Catered beverages

In general, all beverages that are sold under a contract for, or in conjunction with, catering services are taxable. This includes, for example, pitchers of juice or carafes of coffee or tea supplied with a catered meal.

Example 22

Product V is a 100% pure apple juice. One litre containers of Product V are sold in conjunction with a catered breakfast.

Product V is a beverage sold under a contract for, and in conjunction with, catering services, and therefore is taxable.

Sales through a vending machine

Beverages that are sold through a vending machine are taxable (See GST/HST Info Sheet (GI-022), [Application of the GST/HST to Sales of Water](#), for information on the application of the GST/HST to sales of water through a vending machine). If the beverage is supplied through a vending machine for

a single coin of 25 cents or less, the GST/HST is calculated to be zero.

Example 23

Product W is unflavoured milk. It is sold in 250 mL cartons from a refrigerated vending machine for \$0.50 per carton.

Product W is a beverage sold through a vending machine and is therefore taxable.

Sales in establishments

Beverages in a form suitable for immediate consumption are taxable when sold at establishments at which 90% or more of the sales of food and beverages are taxable. Examples of such establishments include restaurants, fast-food outlets, cafeterias, and coffee shops.

Example 24

Product X is unflavoured milk. It is sold in a restaurant in 250 mL cartons.

Product X is a beverage sold at an establishment at which 90% or more of the sales of food and beverages are taxable. Product X is taxable when sold in a restaurant.

Example 25

Product Y is a 100% fruit juice labelled as a juice for babies up to the age of 18 months. It is available in 125 mL bottles. It is sold in a cafeteria.

Product Y is a beverage in a form suitable for immediate consumption and sold in an establishment at which 90% or more of the sales of food and beverages are taxable. Product Y is taxable when sold in the cafeteria.

Example 26

Product Z is a 100% pure apple juice. It is sold in one litre ready-to-pour pitchers in a restaurant.

Product Z is a beverage in a form suitable for immediate consumption and sold in an establishment at which 90% or more of the sales of food and beverages are taxable. Product Z is taxable when sold in the restaurant.

The chart on the next page is a summary of the application of the GST/HST to beverages. Types of beverages with similar characteristics are grouped together in the chart for ease of reference.

Type of beverage	Serving size	Other factors	Tax status
Alcoholic beverages (e.g. wine, spirits, beer, malt liquor)	All serving sizes and packages	n/a	Taxable

Carbonated beverages (e.g. soft drinks, tonic, soda, carbonated mineral water, sparkling waters and juices)	All serving sizes and packages	n/a	Taxable
Non-carbonated beverages fruit juice and fruit-flavoured < 25% natural fruit juice (e.g. fruit-flavoured sports, vegetable, soy and rice beverages)	All serving sizes and packages	**	Taxable
Non-carbonated beverages fruit juice and fruit-flavoured ≥ 25% natural fruit juice (e.g. apple, orange and fruit combo juices)	Less than 600 mL	**	Taxable
	600 mL or more and prepackaged multiples of less than 600 mL	*	Zero-rated
Non-carbonated beverages non-fruit-flavoured (e.g. soy and rice drinks, tea, coffee, vegetable juice)	Less than 600 mL ¹	**	Taxable
	600 mL or more and prepackaged multiples of less than 600 mL	*	Zero-rated
Iced tea beverages (all flavours)			
Syrups, powders, crystals added to water to form a non-carbonated fruit-flavoured beverage	n/a	< 25% natural fruit juice	Taxable
Syrups, powders, crystals added to other liquids or not fruit-flavoured and all flavours of iced tea powders, crystals or concentrates	n/a	n/a	Zero-rated
Milk – unflavoured (e.g. whole, skimmed or partly skimmed white milk)	All serving sizes and packages	*	Zero-rated
Milk – flavoured (e.g. chocolate, strawberry) Milk-based beverages (e.g., drinkable yoghurt)	Less than 600 mL ²	**	Taxable
	600 mL or more and prepackaged multiples of less than 600 mL	*	Zero-rated

* Not heated for consumption; not dispensed at a place where sold; not sold under a contract for catering; not sold through a vending machine or not sold in an establishment.

** Not prepared or prepackaged for consumption by babies.

¹ Exception to single serving size for tomato juice in a sealed can without a self-opening device.

² Exception to single serving size for kefir.

This info sheet does not replace the law found in *the Excise Tax Act* (the 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 any CRA GST/HST Rulings Centre for additional 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 CRA web site at 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%.