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MEMBER EXCLUSIVE BULLETIN

November 21, 2024

BREAKING NEWS

Temporary Sales Tax Relief Coming for Many Retail Goods

Summary

The federal government has announced a major sales tax relief program that will apply to a range of retail goods over a period of two months, starting in mid-December.

The legislation will remove the GST/HST on all foods from grocery stores and other retailers, restaurant meals, beverages (soft drinks and alcohol, excepting spirits), books, children's clothing, children's footwear and many toys, *from December 14, 2024, to February 15, 2025.*

In tax terms, this means that these items, which are normally taxable, will instead be *zero-rated*, so input tax credits will be allowed even though the goods are not subject to collection of GST or HST. This is an area that is very familiar to grocers and others who sell food but may not be as familiar to retailers of the other types of goods affected.

What Goods Will Be Exempted?

There are many items on the tax exemption list. For the full list, [please click here](#). One can characterize most of the goods affected (especially the food, beverage and restaurant meals) as being for immediate, seasonal or near-term consumption. While RCC would have preferred to see the GST/HST relief extended to a broader range of goods, the reduced pressure on consumers' wallets should see some of the benefit accrue to retailers more broadly.

In addition, the government has announced a payment of \$250 to all income earners under \$150,000 per annum, so this direct payment to Canadians should also help with purchases of goods not otherwise covered by today's announcement.

What Retailers Must Do

Retailers will be expected to remove the GST/HST on qualifying goods at checkout as of December 14, 2024. This will involve changes to point of sale systems and all other actions required to ensure that items are treated as being zero-rated for the 2-month period.

Political Process

These measures must now be approved by parliament. The New Democratic Party has signaled that it will support the measure, ensuring passage of the tax relief through the legislative process. The federal government is also consulting with non-HST provinces (BC, SK, MB, QC) to encourage their provincial sales tax regimes to match the tax-relief that the HST provinces will automatically have in Ontario and the four Atlantic provinces. While these processes have not happened yet, RCC will keep members apprised of any changes that may happen between now and implementation day on December 14, 2024.

Implications for Retailers

Retailers will have to determine what items they sell qualify and then make significant changes to their internal systems in order to prepare for the temporary tax holiday measure. This will undoubtedly create compliance costs with a short 3-week window to prepare. Logistical challenges will also be expected in terms of when customers choose to shop, and increased foot traffic during the 2-month window that the measures take effect. Members are encouraged to raise any other concerns they have with RCC.

For more information, please contact Matt Poirier, VP, Federal Government Relations at mpoirier@retailcouncil.org.