



TaxNewsFlash

Canada

Federal Government Announces Temporary GST/HST Holiday

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Many businesses may be affected by the federal government's proposed temporary GST/HST relief on certain specific consumer goods. This tax holiday, which is scheduled to apply from December 14, 2024 to February 15, 2025, will affect retailers, restaurants, grocers, online marketplaces and food delivery businesses, among others, that sell qualifying goods, including specified children's clothes and toys, alcoholic beverages and prepared meals. This proposed GST/HST holiday is in addition to another proposed measure that will provide a Working Canadians Rebate of \$250 to Canadian individuals who worked in 2023 and earned less than \$150,000.

Note that this tax holiday has not yet been legislated or enacted, and the government has not released legislative proposals that would provide details on how it intends to administer this temporary relief. However, in light of all the related restrictions and conditions, affected businesses will have to carefully determine if their supplies are subject to the GST/HST tax holiday. In addition, affected businesses should prepare to act quickly to update their systems to accommodate this proposed change, and stay alert for any forthcoming details on how they are required to implement this change.

Affected consumer goods

The federal government said that it intends to provide a GST/HST holiday on specific qualifying goods, subject to various restrictions, including:

- Children's clothing
- Children's footwear

- Children’s diapers
- Children’s car seats
- Print newspapers
- Printed books
- Prepared foods (including vegetable trays, pre-made meals and salads and sandwiches)
- Restaurant meals (including dine-in and takeout)
- Beer, wine, cider, and certain other alcoholic beverages
- Snacks, including chips, candy, and granola bars
- Children’s toys, as well as jigsaw puzzles, video game consoles, controllers or physical game media
- Natural and artificial Christmas trees or similar decorative trees.

KPMG observations

Since the government has not yet provided specific details of how the GST/HST holiday will apply to qualifying goods in specific circumstances, affected businesses will likely have many questions about the proposed GST/HST relief measure. However, businesses should take time now to carefully review the proposed list of qualifying goods, including various related restrictions and conditions. Affected businesses that sell goods to consumers should prepare to properly update their systems because errors in identifying qualifying goods could result in these businesses being liable for uncollected GST/HST on taxable goods.

The government has also not yet indicated how the qualifying goods will be relieved of tax under the GST/HST rules. If the qualifying goods will be temporarily considered “zero-rated goods”, this proposed tax relief would not affect the current input tax credit (ITC) claims of suppliers selling qualifying goods. The government has also not provided details about the treatment of transactions that may straddle the effective date of December 14, 2024, such as returns and repurchases of qualifying goods in order to benefit from the tax relief or layaway plans related to the qualifying goods.

The tax relief may also affect businesses during a critical sales period and temporarily alter consumers’ buying habits. In particular, consumers may postpone their purchases of qualifying goods until the start of the proposed tax relief. These proposed measures may also affect businesses that ship qualifying goods, as demand for these goods may slow down until the tax holiday takes effect, and then significantly increase leading up to holiday season.

Currently, it remains unclear whether the proposed tax relief applies to all levels of sales (e.g., manufacturers and distributors) or only on the supplies of qualifying goods from a retailer to a customer.

We can help

Your KPMG adviser can help you assess the effect of these proposed developments. For more details, contact your KPMG adviser.

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