



RESPONSE TO PETITION

Prepare in English and French marking 'Original Text' or 'Translation'

PETITION No.: **421-01025**

BY: **MR. LONGFIELD (GUELPH)**

DATE: **DECEMBER 7, 2016**

PRINT NAME OF SIGNATORY: **THE HONOURABLE BILL MORNEAU**

Response by the Minister of Finance

SIGNATURE

Minister or Parliamentary Secretary

SUBJECT

Tax system

ORIGINAL TEXT

REPLY

The Goods and Services Tax/Harmonized Sales Tax (GST/HST) applies to a very broad base of goods and services with only a limited, narrow set of exceptions, which include basic groceries and prescription drugs. Applying the GST/HST to a broad base of goods and services keeps the tax more efficient, simpler, and lower. Consumers benefit if the general sales tax rate is kept as low as possible by maintaining the comprehensive base for the tax.

Under the GST/HST, the general policy objective governing the tax treatment of drugs is to eliminate the tax on those drugs that are needed to deal with illness, disease or disability. It is for this reason that tax relief is generally limited to drugs prescribed by a medical practitioner. Limiting the GST/HST relief to prescription drugs is the most practical way to ensure that this tax relief is effectively targeted.

The interpretation of the GST/HST legislation is the responsibility of the Canada Revenue Agency. Their longstanding position, which has been upheld by the courts, is that medical marijuana/cannabis is not acquired pursuant to a prescription, therefore sales are taxable.

With respect to amending the *Excise Tax Act* to provide GST/HST relief on supplies of medical cannabis, the Government of Canada has committed to legalize, strictly regulate, and restrict access to marijuana/cannabis. A Task Force was appointed in June 2016 to provide the government with the best advice on how to do this,

and they released their final report on December 13, 2016. The Government will be reviewing the final report from the Task Force, which will help inform efforts to introduce effective, evidence-informed legislation for consideration by Parliament. Until that work is complete, it would be premature to comment on any specific taxation proposals.