



Residential Care Services

This memorandum explains the GST/HST exemption for supplies of residential care services under section 2 of Part IV of Schedule V.

All legislative references in this publication are to the *Excise Tax Act* unless otherwise specified. The information in this publication does not replace the law found in the Act and its regulations.

If this information does not completely address your particular situation, you may wish to refer to the Act or relevant regulation, or call GST/HST Rulings at 1-800-959-8287 for additional information. If you require certainty with respect to any particular GST/HST matter, you may request a ruling. [GST/HST Memorandum 1-4, Excise and GST/HST Rulings and Interpretations Service](#), explains how to obtain a ruling or an interpretation and lists the GST/HST rulings centres.

If you are located in Quebec and wish to request a ruling related to the GST/HST, please call Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec website at revenuquebec.ca to obtain general information.

For listed financial institutions that are selected listed financial institutions (SLFIs) for GST/HST or Quebec sales tax (QST) purposes or both, whether or not they are located in Quebec, the CRA administers the GST/HST and the QST. If you wish to make a technical GST/HST or QST enquiry related to SLFIs, please call 1-855-666-5166.

GST/HST rates

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario and 15% in New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, see [GST/HST Technical Information Bulletin B-103, Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province](#).

Residential care services

1. A supply of a service of providing care, supervision, and a place of residence to children, underprivileged individuals, or individuals with a disability in an establishment operated by the supplier for the purpose of providing such service is exempt from the GST/HST under section 2 of Part IV of Schedule V.
2. For information regarding the meaning of **place of residence**, refer to [GST/HST Memorandum 19-2, Residential Real Property](#).

Example 1

An organization operates a group home that is a place of residence for individuals with disabilities. The monthly fee paid by the individuals to the organization is consideration for a supply of a service that includes accommodation, supervision, and assistance with personal hygiene, grooming, and dressing. The supply by the organization of the service of providing care, supervision, and a place of residence is exempt under section 2 of Part IV of Schedule V.

Underprivileged individuals or individuals with a disability

3. **Underprivileged**, in relation to an individual, generally refers to an individual who, being unable to provide for their own or their dependants' basic requirements (including food, shelter, clothing, fuel,

utilities, household supplies, and special personal needs), is in need of assistance or would be in such need if assistance were not provided.

4. For purposes of the GST/HST, **disability** generally refers to a long-term impairment that restricts an individual in carrying out their activities of daily living. The individual's disability may be congenital or the result of an injury, a neuromuscular disorder (such as muscular dystrophy or multiple sclerosis), or another condition (such as cerebral palsy, paraplegia, amputation, pulmonary disease, heart disease, arthritis, diabetes, or a back disorder).

5. An individual with a disability does not include an elderly or frail person who is otherwise able-bodied, or any person who is only temporarily disabled or incapacitated. For example, an individual with temporary difficulty in walking resulting from a broken leg or surgery is not considered to be an individual with a disability.

Supply of a service to a person in an establishment operated by the supplier

6. To be exempt under section 2 of Part IV of Schedule V, a supply of a service of care, supervision, and place of residence must be provided directly to children, underprivileged individuals, or individuals with a disability in an establishment operated by the supplier for the purpose of providing such a service. All pertinent facts of a supply must be considered in determining whether an establishment is operated by the supplier and the purpose for which the establishment is operated. The CRA considers an establishment to be operated by a supplier when the supplier has management and control of the establishment on a day-to-day basis.

7. The following factors, which are not necessarily all-inclusive or of equal significance in any given case, may be used in determining whether an establishment is operated by a supplier and the purpose for which an establishment is operated:

- who has authority over making operational decisions in the establishment
- who has control of day-to-day operations of the establishment
- who has presence in the establishment
- the types of activities and routine carried on in the establishment
- the establishment's operating agreements
- relevant provincial legislation

8. An establishment may qualify as an establishment operated by a supplier where that supplier owns or rents the establishment. Additionally, any premises will be considered to be an establishment operated by a supplier where an agreement permits the supplier to make a supply of a service of providing care, supervision, and a place of residence to children, underprivileged individuals, or individuals with a disability through that establishment.

9. An establishment staffed by employees of a supplier would generally also be considered to be an establishment operated by the supplier.

Example 2

A company makes a supply of a service of providing care, supervision, and a place of residence to underprivileged individuals in a leased establishment that is operated by the company for the purpose of providing such a service. The company's employees provide care and supervision in the residence

directly to residents. The supply made by the company is an exempt supply under section 2 of Part IV of Schedule V even though the company does not own the establishment.

10. A supply of a service of providing care, supervision, and a place of residence to children, underprivileged individuals, or individuals with a disability will not be exempt under section 2 of Part IV of Schedule V where the supplier does not operate the establishment where the care, supervision, and place of residence are provided.

Arranging for residential care services

11. A supply of a service of arranging for a third party to make a supply of a service of providing care, supervision, and a place of residence to children, underprivileged individuals, or individuals with a disability in an establishment operated by the third party is not an exempt supply under section 2 of Part IV of Schedule V.

Example 3

A provincial government enters into a contract with a corporation to provide care, supervision, and a place of residence to a young adult with a disability. The corporation arranges for these services by entering into a contract with ABC Company (ABC), which provides accommodation, meals, and other support services to the young adult in ABC's establishment. The supply made by the corporation to the provincial government of arranging for residential care services to be provided by ABC is not an exempt supply under section 2 of Part IV of Schedule V.

Provision of care and supervision

12. Where a supplier provides care and supervision but not a place of residence, the supply is not exempt under section 2 of Part IV of Schedule V. However, the supply may be exempt under another provision in the Act.

Example 4

An individual with limited mental capacity for self-supervision and self-care stays at a supplier's establishment for 2 days a week while the individual's primary caregiver is unable to provide care and supervision. The individual is provided meals and supervised activities during their stay at the establishment.

The supply of care and supervision at the establishment is not exempt under section 2 of Part IV of Schedule V as the supplier is not providing a place of residence; however, the supply will be exempt under section 3 of Part IV of Schedule V if all requirements of that exemption are met. Refer to [GST/HST Memorandum 21-3, Respite Care Services](#), for more information.

13. A supply is not exempt under section 2 of Part IV of Schedule V where only a place of residence is provided. A supply of a residential complex, or a residential unit in a residential complex, may be exempt under section 6 of Part I of Schedule V provided that all conditions for the exemption in that section are met. Refer to [GST/HST Memorandum 19-2-2, Residential Real Property - Rentals](#), for information regarding the tax status of residential real property rentals.

Foster care

14. The home of a foster parent is not regarded as an establishment that is operated by a supplier for the purpose of providing care, supervision, and a place of residence to foster children. Accordingly, a service provided by a foster parent is not an exempt supply under section 2 of Part IV of Schedule V to the Act.

15. Foster care provided by an individual is not considered to be an activity engaged in with a reasonable expectation of profit and therefore is not a commercial activity of the individual. Consequently, payments made to foster parents with respect to fostering are not subject to the GST/HST.

16. Supplies of services such as assessment, placement, and monitoring services in regard to residential foster care are not exempt supplies under section 2 of Part IV of Schedule V.

17. For information on the application of the GST/HST to supplies of residential group care services and residential foster care services provided in the province of Ontario, refer to [GST/HST Info Sheet GI-123, Application of GST/HST to Residential Care Services Provided in Ontario](#).

Other exempting provisions

18. A supply of a service that is not exempt under section 2 of Part IV of Schedule V may be exempt under another provision in the Act.

Example 5

A charity provides lodging to a family who must leave their home in order to seek medical attention for their seriously ill child at a nearby hospital. During their child's 3-week treatment period, the family is provided with lodging, as well as 3 meals per day.

Although the supply made by the charity is not an exempt supply under section 2 of Part IV of Schedule V because there is no provision of care, supervision, and a place of residence, the supply will be exempt under section 1 of Part V.1 of Schedule V if all requirements of that exemption are met. Refer to [Guide RC4082, GST/HST Information for Charities](#), for more information.

Example 6

An individual is temporarily incapacitated due to severe physical injuries sustained in a motor vehicle accident. Due to the severity of their injuries, the individual is admitted to a health care facility where they receive medical care, physical therapy and 3 meals per day.

Although the supply made by the facility is not an exempt supply under section 2 of Part IV of Schedule V because there is no provision of a place of residence, the supply will be an exempt supply of an institutional health care service under section 2 of Part II of Schedule V if all requirements of that exemption are met. If the supply is made by a charity or public institution, the supply may also be exempt under section 1 of Part V.1 of Schedule V or section 2 of Part VI of Schedule V.

Example 7

A licensed social worker is hired by a foster care agency to monitor the emotional well-being of the children placed in foster care within the agency's specific geographical boundaries. These monitoring services are rendered to the children in the course of a professional-client relationship between the social worker and the children.

Although a supply of a monitoring service in regard to a supply of a foster care service is not an exempt supply under section 2 of Part IV of Schedule V because there is no provision of care, supervision, and a place of residence, the supply will be an exempt supply of a service rendered in the practice of the profession of social work under section 7.2 of Part II of Schedule V if all requirements of that exemption are met.

Single supply or multiple supplies

19. When a service is supplied together in combination with other property and/or services, a determination must first be made as to whether the transaction is a single supply or multiple supplies. For information on whether a transaction consisting of several elements constitutes a single supply or multiple supplies, refer to [GST/HST Policy Statement P-077R2, Single and Multiple Supplies](#).

20. If a transaction consists of multiple supplies, it is necessary to determine whether one of those supplies is incidental to another and whether it may consequently be deemed to form part of a single supply under other provisions of the Act (such as section 138, which applies where the main and the incidental supplies are made for a single consideration). For information on whether one supply is incidental to another, refer to [GST/HST Policy Statement P-159R-1, Meaning of the Phrase “Reasonably Regarded as Incidental”](#), and [GST/HST Policy Statement P-160R, Meaning of the Phrase “Where a Particular Property or Service is Supplied Together with any Other Property or Service”](#). For each supply identified, it must then be determined whether the supply is taxable or exempt.

Example 8

A person operates a long-term residential care facility for residents with a disability. Each resident enters into an agreement with the person to receive care, supervision, a place of residence, social worker services, activities (for example, arts and crafts), and meals.

As such, the transaction between the person and each resident consists of multiple elements, namely the care, supervision, place of residence, social worker services, meals, and recreational activities. These elements are interdependent and supplied together for one fee. The provision of each element is contingent on the provision of the others. All elements must be acquired and no element can be acquired separately or substituted. The provision of care, supervision, and the place of residence are the dominant elements of the supply.

Based on the principles set out in [GST/HST Policy Statement P-077R2](#), this transaction constitutes a single supply of a service.

Example 9

A person leases a residential unit in a residential complex to tenants. The tenants of the residential complex may acquire a variety of optional services from the person for additional fees, such as personal grooming, laundry, and cleaning services. Although the tenants are not required to purchase any of these services, a tenant chooses to acquire laundry services. In the transaction with that tenant, the person is making multiple supplies that consist of a supply of real property and a separate supply of laundry services.

GST/HST registration

21. Although a supply may be taxable, a supplier does not have to register for GST/HST purposes and collect tax if the supplier is a small supplier. For information on the requirement to register for GST/HST purposes, refer to [GST/HST Memorandum 2-1, Required Registration](#), and [GST/HST Memorandum 2-2, Small Suppliers](#).

Further information

All GST/HST technical publications are available at [Technical information – GST/HST](#).

To make a GST/HST enquiry by telephone:

- for GST/HST general enquiries, call Business Enquiries at 1-800-959-5525;
- for GST/HST technical enquiries, call GST/HST Rulings at 1-800-959-8287.

If you are located in Quebec, call Revenu Québec at 1-800-567-4692 or visit their website at revenuquebec.ca.

If you are a selected listed financial institution (whether or not you are located in Quebec) and require information on the GST/HST or the QST, go to [GST/HST and QST - Financial institutions, including selected listed financial institutions](#) or

- for general GST/HST or QST enquiries, call Business Enquiries at 1-800-959-5525;
- for technical GST/HST or QST enquiries, call GST/HST Rulings SLFI at 1-855-666-5166.