



Zero-Rated Farm Equipment

This info sheet describes farm equipment that is zero-rated for purposes of the goods and services tax/harmonized sales tax (GST/HST).

In this info sheet, “taxable” means subject to the GST/HST at 5% or 13%. “Zero-rated” means subject to the GST/HST at 0%.

Farmers typically do not collect tax on their sales, but they still pay the GST/HST on their taxable purchases. In recognition of potential cash flow problems, certain agricultural equipment is specifically identified as being zero-rated. The list of selected agricultural equipment is generally limited to major equipment of a type purchased exclusively by farmers.

Farm equipment supplied by way of sale is zero-rated where the equipment meets certain design criteria or specifications (e.g., size, capacity or power). Where the criteria or specifications are not met, the equipment is subject to the GST/HST. For more information on agricultural products, refer to GST/HST Memorandum 4.4, *Agriculture and Fishing*.

Leases of farm equipment

The supply of farm equipment when made by way of lease is taxable. However, when a lease of otherwise zero-rated equipment is entered into with an option to purchase the equipment at the end of the lease period, the buy-out portion may be zero-rated if, according to the terms of the agreement, the buy-out constitutes a supply by way of sale.

Accessories

When zero-rated farm equipment is sold together with any other accessories or equipment that is normally taxable, the supply of such accessories or equipment will be zero-rated, provided they are

attached to or installed on the zero-rated farm equipment at the time of sale and form part of the unit.

When accessories are not sold together with zero-rated farm equipment, such accessories will not be treated as part of the zero-rated equipment. They will be taxable in the normal manner.

When accessories are sold together with zero-rated farm equipment for a single consideration, but are not attached to or installed on the equipment, the supply of the accessories is deemed to form part of the supply of the equipment, provided the supply of the accessories is incidental to the supply of the equipment. The supply of the equipment together with the accessories will be zero-rated.

If the supply of the accessories is not incidental to the supply of the equipment, then the supply of the accessories will be a separate supply and will be taxable.

Example 1

A tractor with a rating of 60 PTO h.p. designed for farm use is sold with an air conditioner and blade attachment that are installed on the tractor before the sale.

The air conditioner and the blade attachment are considered to be part of the supply of the tractor. The supply of the tractor complete with the air conditioner and blade attachment is zero-rated.

Example 2

The owner of a tractor purchases an air conditioner and has the dealer install the air conditioner.

The supply of the air conditioner installed on a customer-owned tractor is taxable.

La version française du présent document est intitulée *Matériel agricole détaxé*.



Example 3

A farmer purchases a tractor with a rating of 75 PTO h.p. designed for farm use for \$45,000. The farmer also orders a tool box kit itemized on the invoice for \$150. The invoice is for a single consideration of \$45,150. The farmer will attach the tool box to the tractor.

The supply of the tool box kit is incidental to the supply of the tractor and is deemed to form part of the supply of the tractor. The supply of the tractor, including the tool box kit, is zero-rated.

More information on zero-rated farm equipment and accessories is available in GST/HST Policy Statement P-252 *Agricultural Equipment Supplied Together with Accessories*.

Equipment categories

For convenience, zero-rated farm equipment is grouped into seven categories.

- tractors;
- harvesting equipment;
- tillage equipment;
- seeders and planters;
- haying equipment;
- grain handling or processing equipment; and
- miscellaneous property.

These types of farm equipment will be zero-rated where the design criteria and specifications listed below are met.

Tractors

Tractors designed for farm use that have a rating of at least 44.74 kW at power takeoff (60 PTO h.p.).

Example 4

A person purchases a tractor with a rating of 85 PTO h.p. The manufacturer's brochure on its equipment advertises the tractor for farm use.

The tractor is designed for farm use and meets the specifications set for tractors. The purchase of the tractor is zero-rated.

Example 5

A snowmobile club arranges for the purchase of a tractor with modifications to the steering mechanism, gas tank and other elements that will allow for the attachment of a snowmobile trail groomer kit. The dealer installs the snowmobile trail groomer kit to the tractor before the sale.

The original design of the tractor is altered to the extent that it is no longer designed for farm use. The supply of the modified tractor with the installed groomer kit is taxable.

Harvesting equipment

- self-propelled or pull-type combines;
- self-propelled or pull-type swathers;
- self-propelled or pull-type wind-rowers;
- headers for combines, forage harvesters, swathers or wind-rowers;
- combine or forage harvester pickups;
- forage harvesters; and
- self-propelled, tractor-mounted or pull-type mechanical fruit or vegetable pickers or harvesters.

Tillage equipment

- mouldboard plows with three furrows or more;
- disc plows with three furrows or more;
- chisel plows with an operational width of at least 2.44 m (8 feet);
- subsoil chisels with an operational width of at least 2.44 m (8 feet);
- discers with an operational width of at least 2.44 m (8 feet);
- rod weeders with an operational width of at least 2.44 m (8 feet);
- bean rods with an operational width of at least 2.44 m (8 feet);
- field cultivators with an operational width of at least 2.44 m (8 feet);
- row crop cultivators with an operational width of at least 2.44 m (8 feet);
- combination discer-cultivators with an operational width of at least 2.44 m (8 feet);
- rototillers with an operational width of at least 1.83 m (6 feet);
- rotovators with an operational width of at least 1.83 m (6 feet);
- harrows with an operational width of at least 2.44 m (8 feet), when sold in complete units;
- pulverizers with an operational width of at least 2.44 m (8 feet);

- farm-type land packers with an operational width of at least 2.44 m (8 feet);
- mulchers with an operational width of at least 2.44 m (8 feet); and
- rotary hoes with an operational width of at least 2.44 m (8 feet).

Example 6

A farm equipment dealer sells two separate 4.5 foot harrow sections. The sale of the two separate 4.5 foot harrow sections is taxable.

If, before the sale, these two separate harrow sections are attached to a drawbar, harrow cart or other apparatus to create a complete unit with an operational width that measures at least 2.44 m (8 feet), then the complete unit will be zero-rated.

Seeders and planters

- airflow seeders;
- grain or seed drills with an operational width of at least 2.44 m (8 feet); and
- farm-type row-crop or toolbar seeders or planters designed to seed two or more rows at a time.

Haying equipment

- mower-conditioners;
- hay balers;
- hay cubers;
- bale throwers, elevators or conveyors;
- hay rakes;
- hay tedders;
- hay conditioners, crushers or crimpers;
- swath turners and wind-row turners; and
- silage baggers and round bale wrapping machines.

Grain handling or processing equipment

- grain bins or tanks with a capacity of not more than 181 m³ (5,000 bushels);

Note: Bulk feed bins and epoxy-coated bins or tanks (or other bins or tanks that are similarly treated or lined to prevent corrosion caused by the storage of fertilizer but are also promoted as suitable for the storage of grains) are zero-rated, provided the volume criterion is met.

- transportable conveyors with belts less than 76.2 cm (30 inches) wide and 0.48 cm (3/16 inch) thick, transportable farm grain augers, transportable utility augers and transportable elevators;

Note: In reference to augers, “transportable” means that the equipment incorporates an undercarriage and wheels for movement and consists of a flight and tube.

- bin sweeps or cleaners designed for attachment to portable farm grain augers;
- farm tractor-powered pneumatic grain conveyors;
- farm-type feed mills including roller mills and hammer mills;
- farm-type feed mixers;
- farm-type feed grinder mixers;
- farm-type tub grinders and other farm-type feed grinders;
- ensilage mixers;
- farm-type grain toasters for use in livestock feed production;
- self-propelled feed or ensilage carts; and
- grain dryers.

Miscellaneous property

- farm-type refrigerated bulk milk coolers;
- mechanical rock or stone pickers;
- forage blowers;
- silo unloaders;
- self-propelled, tractor-mounted or pull-type agricultural wagons or trailers designed for off-road handling and transporting of grain, forage, livestock feed or fertilizer, and use at speeds not exceeding 40 km per hour;

Note: A supply of running gear, a component of agricultural wagons or trailers, is taxable when sold separately.

- shredders with an operational width of at least 3.66 m (12 feet);
- assembled, fully operational milking systems consisting of a receiver group, vacuum supplier, pulsators and related equipment;

- individual components of a milking system that consists of a receiver group, vacuum supplier, pulsators and related equipment, when the components are supplied together unassembled and, once assembled, constitute the fully operational milking system;
- assembled and fully operational automated and computerized farm livestock or poultry feeding systems;
- individual components of an automated and computerized farm livestock or poultry feeding system, when the components are supplied together unassembled and, once assembled, constitute the fully operational system;
- rock or root rakes and rock or root wind-rowers;
- self-propelled, tractor-mounted, cultivator-mounted or pull-type field sprayers with a tank capacity of at least 300 L (66 gallons);
- farm-type granular fertilizer or pesticide applicators with an operational capacity of at least 0.2265 m³ (8 cubic feet);
- liquid, box, tank or flail manure spreaders;
- injection systems for liquid manure spreaders; and
- leafcutter bees.

Other information

If a person is uncertain as to whether an item fits into one of the categories listed above, the person may contact a GST/HST Rulings Centre by calling 1-800-959-8287 to obtain more information or to request a GST/HST ruling regarding the application of tax to a particular item.

Note: The supply of a complete field sprayer kit, including the spray tank, is zero-rated. The supply of an incomplete field sprayer kit (e.g., without a spray tank) or a supply of the components of a field sprayer is taxable.

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 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 1-800-567-4692. You may also visit their Web site at www.revenu.gouv.qc.ca to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthstech.

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 13%. The goods and services tax (GST) rate is 5%.