



Fertilizer and/or Pesticide Supplied Together with an Application Service

Legislative references	Section 5 of Part IV of Schedule VI to the <i>Excise Tax Act</i> (the Act), section 10 of Part IV of Schedule VI to the Act, subsection 1(4) of the Schedule to section 2 of the <i>Agriculture and Fishing Property (GST/HST) Regulations</i> , and section 165 of the Act
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Please note that the following policy statement, although correct at the time of issue, may not have been updated to reflect any subsequent legislative changes.

Issue

At issue is the tax status of zero-rated fertilizer and/or pesticide supplied together with a taxable application service.

Decision

Fertilizer and/or pesticide is sometimes sold together with a taxable application service and sometimes sold separately. Where they are sold together, there is either a single supply of a taxable application service or multiple supplies consisting of a zero-rated supply of fertilizer and/or pesticide (if certain conditions are met—see Discussion) and a taxable supply of an application service. Whether there is a single supply or there are multiple supplies in any given transaction is a question of fact.

Discussion

Fertilizer

A supply of fertilizer (other than a good sold as soil or as a soil mixture, whether or not containing fertilizer) is zero-rated under section 5 of Part IV of Schedule VI to the Act when the fertilizer is supplied in bulk, or in a container that contains at least 25 kg of fertilizer, where the total quantity of fertilizer supplied to the recipient at that time is at least 500 kg. Please see GST/HST Memorandum 4.4, *Agriculture and Fishing*, for further information on the meaning of “fertilizer”.

Pesticide

Section 10 of Part IV of Schedule VI to the Act provides that a supply of prescribed property is zero-rated. Section 2 of the *Agriculture and Fishing Property (GST/HST) Regulations* provides that property listed in the Schedule, when supplied by way of sale, is prescribed property for the purposes of section 10. Subsection 1(4) of the Schedule to section 2 of the *Agriculture and Fishing Property (GST/HST) Regulations* provides that a supply of pesticide by way of sale labelled in accordance with the *Pest Control Products Regulations* as having a purpose that includes agricultural use and a product class designation other than “domestic”, is a supply of prescribed property by way of sale and is therefore, zero-rated.

La version française de la présente publication est intitulée *Engrais et/ou produits antiparasitaires fournis avec un service d'application*.



Single and multiple supplies

The following factors generally indicate that there are multiple supplies of fertilizer and/or pesticide and an application service:

- the fertilizer and/or pesticide and application service are supplied by two or more suppliers;
- the supply of the fertilizer and/or pesticide is not contingent upon the supply of the application service or vice versa. The recipient has the option of purchasing the fertilizer and/or pesticide separately from the application service.

The terms of an agreement (e.g., purchase order, invoice) between a seller and purchaser establish what the seller is agreeing to provide and what the purchaser is expecting to receive for the consideration paid. However, it is important to note that the manner in which the price for a transaction is set out (e.g., a single price or separately identified prices on an invoice) does not by itself determine whether there is a single supply of a taxable application service or multiple supplies of zero-rated fertilizer and/or pesticide and a taxable application service.

Please see GST/HST Policy Statement P-077R2, *Single and Multiple Supplies*, for further information on whether a particular transaction consists of a single supply or multiple supplies.

Examples

Example 1

Facts

1. A farmer wants his fields fertilized and calls a crop-spraying company. The company agrees to an application service for a set price per acre. The price per acre includes both the cost of the fertilizer and the service of applying it.
2. The invoice separately itemizes both the cost of the fertilizer as well as the cost of the spraying service on a per acre basis.
3. The company does not supply the fertilizer without supplying the application service. That is, the farmer cannot choose to purchase fertilizer by itself.

Decision

There is a single supply of an application service which is taxable at 5% or 13% as applicable.

Rationale

The supply is an application service. The fertilizer is an input to the supply of that service. Even though the cost of the fertilizer is indicated on the invoice, the farmer does not have the option of purchasing it separately.

Example 2

Facts

1. A farmer contacts a company to discuss the purchase of 500 kg of fertilizer and is quoted a price. The farmer is advised that the company will apply the fertilizer to the farmer's field for an additional charge per acre. However, the farmer can choose to buy the fertilizer without having to buy the application service.
2. The farmer purchases 500 kg of fertilizer and agrees to have the company apply it for him.
3. The farmer receives an invoice for the transaction, which separately indicates the cost of the fertilizer and the cost of the spraying service.

Decision

There are two supplies being made: a supply of fertilizer that is zero-rated and a supply of an application service which is taxable at 5% or 13% as applicable.

Rationale

The farmer can choose to buy the fertilizer separately. The provision of the fertilizer is not dependent on the provision of an application service.

Example 3

Facts

1. A farmer buys pesticide from a pesticide distributor; no GST/HST is charged for the pesticide.
2. The pesticide is labelled in accordance with the Pest Control Products Regulations “for agricultural use” and its product and class designation is not listed as “domestic”.
3. The farmer then contracts with Spray Co. to apply the pesticide.
4. Spray Co. agrees to pick up the pesticide from the pesticide distributor and then applies the product for the farmer.

Decision

Two supplies are made to the farmer: a supply of pesticide that is zero-rated, and a supply of an application service which is taxable at 5% or 13% as applicable.

Rationale

The application service and pesticide are supplied by two suppliers. The fact that Spray Co. obtains the pesticide on behalf of the farmer is irrelevant.