

Work through these before the T2 is filed.

Canadian medical device distributors · current to 8 October 2026

- ☐ **Rate the catalogue line by line**
For each SKU, record which section of Schedule VI, Part II applies and whether a written order of a medical practitioner is required.
- ☐ **Check the parts and accessories**
Section 32 zero-rates parts specially designed for a listed device. Rating them all as taxable charges tax you do not owe.
- ☐ **Capitalise landed cost by shipment**
Customs duty, brokerage, inbound freight and non-recoverable provincial tax go into inventory, not into expenses.
- ☐ **Never claim customs duty as a credit**
Only the Division III GST imposed under ETA 212 is recoverable, under 169(1), against the CBSA accounting document.
- ☐ **Confirm you are the importer of record**
Section 178.8 decides who may claim the credit where goods are imported for another person.
- ☐ **Count the inventory and date the sheets**
Record lot and expiry. The count is what makes the closing figure defensible.
- ☐ **Value at the lower of cost and FMV**
ITA 10(1), on the same basis as last year under 10(2.1). Regulation 1801 is the only alternative. LIFO is not accepted.
- ☐ **Evidence every write-down**
The facts supporting the reduced value must exist at the year-end, not in February.
- ☐ **Move demo units out of inventory**
A unit kept for ongoing business use converts to capital property at fair market value, generally Class 8 at 20%.
- ☐ **Reconcile revenue to the GST/HST returns**
Split zero-rated from taxable in the ledger, so the return is a report rather than an estimate.
- ☐ **Set the payroll remittance band**
Regulation 108 assigns four schedules on your average monthly withholding amount. 227(9) starts at 3%.
- ☐ **Pay at two months, file at six**
ITA 157(1)(b) and 150(1)(a). Keep records six years from each taxation year-end under 230(4)(b).

Zero-rating is Schedule VI, Part II — not section 123(1).

And customs duty is never an input tax credit. Only the Division III GST comes back.