

## **CANADA and ONTARIO MEDICAL EXPENSES TAX CREDITS**

### **What is it?**

These non-refundable tax credits provide income tax relief for persons with high medical expenses. Only the portion of expenses that exceeds 3% of net income is eligible for the credit.

*Example:* If net income is \$25,000, only expenses above \$750 (3% of \$25,000) can be claimed.<sup>1</sup>

### **Claimable Medical expenses:**

The Income Tax Act (ITA) and regulations specify which expenses are eligible and which are not. If an expense is not listed, it cannot be claimed.

For convenience, the [CRA website](#) provides a searchable list of expenses. For each expense, it indicates:

- whether it is eligible,
- whether a prescription is required, and
- whether written certification or a Disability Tax Credit is needed.

Some entries include links with additional details. Another useful reference is the CRA publication [RC4065](#), Medical Expenses. These resources reflect the ITA, its regulations, and relevant court decisions that clarify ambiguous provisions.

### **Medical expenses of spouse, children, and related dependants:**

In addition to their own expenses, a person may claim eligible expenses paid for

- a spouse or child under 18.<sup>2</sup>
- other dependants who relied on their support, including adult children, parents, grandparents, siblings, uncles, aunts, nieces, or nephews (provided the dependant resided in Canada at any time during the year<sup>3</sup>).<sup>4</sup> However, expenses are only claimable to the extent they exceed 3% of the dependent's net income.

The CRA *usually* allows a person to claim the medical expenses if paid for by either the person *or by the person's spouse*.<sup>5</sup>

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<sup>1</sup> The actual calculation is expenses minus *the lesser of*: (i) 3% of net income, and a prescribed amount. However, for clients of a tax clinic, 3% of net income will almost always be less than the prescribed amount.

<sup>2</sup> Section 118.2(1)B.

<sup>3</sup> To be 'resident in Canada at any time of the year' means more than just being present in Canada for part of the year, for example visiting for a few months on a visitor's visa. The dependent must have been a "resident" for tax purposes at least at some point in the year.

<sup>4</sup> Section 118.2(1)D.

<sup>5</sup> The wording of the ITA would suggest that an expense cannot be claimed unless paid for by the taxpayer. However, administratively, the CRA permits a taxpayer to also claim expenses paid by their spouse. This administrative practice is noted in [Andrews v. The King](#) (2023 Tax Court of Canada) in which a taxpayer claimed expenses paid for by his spouse. The CRA for some reason chose not to apply its usual administrative practice. The

## Who is a dependant?

Under the Income Tax Act, a dependant is defined as “a person who at any time in the year is dependent on the individual for support.”

The legislation does not provide further detail, and case law on the subject is limited.<sup>6</sup> However, the CRA has issued guidance on how it interprets this definition.

According to the CRA, “support” means providing the basic necessities of life—such as food, shelter, and clothing—on a regular and consistent basis. Support may be given voluntarily or under a legal obligation.

If the person considered a dependant has income of their own, it must be shown that this income was insufficient to cover their basic needs and that they relied on support from the individual claiming the credit.

### Example calculation of credit amount:

	net income	cumulative medical expenses incurred by Jill and her spouse
Jill Doe	\$30,000	\$1,000
Jill Doe’s spouse	\$35,000	\$500
Their child, age 17	\$5000	\$250
Jill’s dependent parent	\$15,000	\$2,000

Credit amount 1 =  $(\$1,000 + \$500 + \$250) - (3\% \times \$30,000) = \$850$

Credit amount 2 =  $\$2,000 - (3\% \times \$15,000) = \$1,550$

Total credit amount =  $\$850 + \$1,550 = \$2,400$

The actual tax credit, as for all non-refundable credit amounts, is 15% of the credit amount for federal tax, and 5.05% for Ontario tax.

In this example, the credit is claimed by Jill Doe instead of John Doe, since Jill’s lower net income results in a larger credit.

### Expenses are usually claimed by the spouse with the lower income:

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court held that the expense could not be claimed since, strictly speaking, it was not permitted by the *Income Tax Act*.

<sup>6</sup> One case is [Calek v. R.](#) (2001 Tax Court) where the court said: “So, to be dependent, we are talking about levels of subsistence not levels of maintenance and lifestyle. A person who does not fully have the means to subsist but has some means and is not wholly dependent (that is, has some means but also requires some assistance) could still qualify as dependent.”

To maximize the credit, a couple can combine their medical expenses on one return, typically claiming them under the spouse with the lower net income. This is advantageous because the subtraction amount (3% of net income) will be lower for the lower income spouse. However, this approach may not work if that spouse does not have enough tax to utilize the credit fully. In some cases, it may be optimal to allocate only part of the expenses to the lower-income spouse.

UFile automatically optimizes the allocation of expenses to achieve the highest total credit.

### **Choosing a 12 month period:**

Medical expenses can be claimed for any 12-month period ending in the current tax year, provided they were not claimed in the previous tax year. This has several implications:

- If there are unclaimed medical expenses from the prior tax year, it may be beneficial to select a 12-month period that includes those expenses in the current year.
- If a medical expense occurs in the current tax year but will not provide a tax benefit, it may be advantageous to defer claiming it to the following tax year.
- Some review and analysis may be necessary to determine the most beneficial approach.

### **Importance of receipts:**

Medical expense claims are frequently reviewed by the CRA, which often requests supporting receipts. Therefore, it is essential to claim only those expenses for which there is a receipt that clearly indicates the product or service, the individual who received it, and proof of payment. Prescription receipts should also show the name of the medical practitioner who issued the prescription.

### **Is the expense date the date of invoice or date of payment?**

Date of payment.

### **Attendant care:**

The rules in the Income Tax Act regarding attendant care can be complex, and CRA guides and website information may not always be clear. For guidance, refer to the [document on attendant care](#), which summarizes various scenarios.

### **Differences with the Ontario Medical Expense Credit:**

The Ontario medical expense amount is calculated similarly to the federal credit, as medical expenses minus 3% of net income.

The types of expenses eligible for the Ontario credit are generally the same as those for the federal credit, with some exceptions:

- The maximum amount for attendant care, when the Disability Tax Credit is also claimed, is \$16,048 (compared with \$10,000 federally).

- The maximum amount for the cost of an adapted van used to transport a patient who requires a wheelchair is \$8,204.
- The maximum amount for moving expenses incurred to relocate a patient to a more accessible dwelling is \$3,282.

The 12-month period of expenses must match the period used for the federal credit calculation.

**Common expenses that can be claimed:**

- Fees paid to a medical practitioner or a hospital for medical or dental services, including mental or physical therapy.
  - A 'medical practitioner' includes a medical doctor, dentist, audiologist, nurse, nurse practitioner, occupational therapist, optometrist, pharmacist, physiotherapist, psychologist, or speech-language pathologist (or other practitioners if there is specific legislation permitting them to perform medical services)
- prescription drug copayments
- health insurance premiums paid to an insurer
- health insurance premiums deducted from wages by an employer and paid by the employer to an insurer on the employee's behalf.
  - The premiums may or may not be reported in Box 85 of a T4 slip for informational purposes.
    - If a box 85 amount is entered in UFile for a T4 slip, the premiums will be claimed as a medical expense, and should not be claimed again in the *Medical, disability, caregiver* section.
    - If the employer does not report the amount in Box 85 the information will need to be obtained elsewhere.
- prescription glasses (both the frame and lenses)
- hearing aids
- dentures and dental implants (if not for cosmetic purposes)
- expenses relating to guide dogs or hearing-aid dogs
- devices to measure blood sugar for diabetics
- renovation expenses to make a home accessible
- mental health therapy if a person has a disability tax certificate, and the therapy is prescribed and supervised by a psychologist, medical doctor, or nurse practitioner for a

mental impairment.<sup>7</sup> (Note: this applies when therapy is not provided directly by a medical practitioner).

- physical therapy if a person has a disability tax certificate, and the therapy is prescribed and supervised by an occupational therapist, medical doctor, or nurse practitioner for a physical impairment (Note: this applies when therapy is not provided directly by a medical practitioner, a DTC is not required).
- physical therapy provided directly by a medical practitioner (a DTC is not required)
- amount paid to a medical practitioner for filling out a T2201 DTC
- transportation to a medical appointment if the trip is at least 40 km long and it is reasonable in the circumstances for the person to travel to that place for medical services.<sup>8</sup>

**Common expenses that can't be claimed:**

- premiums for health insurance paid by an employer to an insurer (not deducted from wages)
- birth control devices
- blood pressure monitors
- baby formula (due to dairy allergy)
- any over-the-counter medications unless prescribed
- cosmetic procedures

**UFile:**

When a return is efiled, only the total amount is transmitted to the CRA (on Line 33099), and none of the details. The ability to enter the expenses separately in the program is a convenience the software provides.

If a client has a large number of medical receipts, to save time consider grouping receipts rather than entering each one separately. For example, add up all the drug receipts and then make one entry in UFile for drug receipts.

If there are many medical expense entries, print out the medical expenses form for the client. This will be useful to the client if they receive a letter from the CRA requesting copies of receipts.

For couples and families, enter expenses under the tab of the person who paid them. UFile will automatically assign the expenses and credits in such a way as to produce the greatest collective benefit for the group.

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<sup>7</sup> Monitoring is not enough. The therapy must be prescribed and supervised. See [CRA severed letter](#).

<sup>8</sup> See [s.118.2\(2\)\(g\)](#) of the *Income Tax Act*.

**UFile issue when claiming a dependant's medical expenses:**

When claiming medical expenses for a dependant (e.g., a parent), you must create a dependant profile in UFile and enter the expenses under that profile. In the "Dependant ID" section, UFile requires you to indicate the dependant's marital status. However, the only options available are single, widowed, separated, or divorced—there is no option for married or common-law. This is a flaw in the UFile software because there is no bar to claiming the medical expenses of a dependant who has a spouse.

Workaround:

To proceed in UFile, select "single" as the dependant's marital status, but do not file the dependant's return through UFile. If the dependant needs to file a return, it can be prepared separately. Importantly, the dependant's marital status does not appear on the claimant's tax return, so no incorrect information is submitted to the CRA. The medical expenses will still be correctly reported on Line 33199 of the return.

**References:**

- *Income Tax Act*, [s.118.2](#)
- *Income Tax Regulations*, [Part LVII](#), s.5700 (devices and equipment), s.5701 (prescribed)
- [Government website](#)
- [Income Tax Folio S1-F1-C1, Medical Expense Tax Credit](#)
- Guide [RC4065](#), *Medical Expenses*
- Guide [RC4064](#), *Disability-Related Information*