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QUÉBEC



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du Canada

Canada Revenue
Agency



GENERAL INFORMATION CONCERNING THE QST AND THE GST/HST

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FOREWORD

If you carry on a business in Québec, you will want to know how the GST/HST and the QST apply to you. This booklet provides basic information about the application in Québec of the GST, the HST and the QST. It contains general information on how to calculate, collect and remit the taxes. It also deals with a variety of related subjects, such as the application of the taxes to various transactions, the use of coupons, meal and entertainment expenses, sales to diplomats and governments, and GST/HST and QST rebates and refunds.

This booklet is intended to be as specific as possible. However, we have chosen not to describe certain exceptional situations that concern only a small number of persons. If you require additional information, contact Revenu Québec at one of the numbers listed on the back of this booklet.

This booklet is designed for easy reference. To find information quickly, consult the table of contents.

ABBREVIATIONS USED IN THIS GUIDE

CCA	Capital cost allowance
CRA	Canada Revenue Agency
FMV	Fair market value
GST	Goods and services tax
HST	Harmonized sales tax
ITC	Input tax credit
ITR	Input tax refund
NPO	Non-profit organization
QST	Québec sales tax
SMB	Small or medium-sized business



GLOSSARY

The terms below are used frequently in this booklet. Their definitions are based largely on those provided in the *Excise Tax Act* and the *Act respecting the Québec sales tax*.

Charity

A registered charity or a registered Canadian amateur athletic association within the meaning assigned by the *Income Tax Act* and the *Taxation Act*. For GST and QST purposes, if a charity is also a school authority, public college, university, hospital authority or local authority that is a municipality, it is not considered a charity but a public institution.

Commercial activity

Any activity carried out in the course of operating a business, carrying on an adventure, or supplying immovables in order to make taxable sales. The making of exempt sales is not a commercial activity, nor is the carrying on of a business without a reasonable expectation of profit by an individual, a personal trust or a partnership made up solely of individuals.

Consideration

The value given in exchange on the sale of a good or service. It corresponds to an amount of money or to the FMV of the good or service. In calculating the GST, the QST is not included in the consideration. However, the GST must be included in the consideration for purposes of calculating the QST.

In this booklet, we also use the term “amount” since money is the most common form of consideration.

Fair market value (FMV)

The highest price that can be obtained in an open market where the buyer and the seller are well informed, are dealing at arm’s length, and are not forced to buy or sell.

Property

Includes real property and personal property, whether tangible or intangible, but does not include money.

The terms used to refer to property are different for QST purposes than for GST purposes. In this booklet, we chose to use the GST terms for ease of understanding. The GST terms and their QST equivalents are listed below.

GST	QST
Real property	Immovable property
Personal property	Movable property
Tangible (personal) property	Corporeal (movable) property
Intangible (personal) property	Incorporeal (movable) property

Examples of tangible property include desks, computers, cash registers, spare parts, cleaning products and pencils. Examples of intangible property include licences, patents, shares and copyrights.

**Public service bodies**

Non-profit organizations, charities, municipalities, hospital and school authorities, and public colleges and universities.

Qualifying NPO

An NPO whose income from government funding is at least 40%

- for the current fiscal year; or
- for the two fiscal years preceding the current fiscal year.

Registrant

A person that is registered or is required to be registered for the GST and the QST.

Service

Anything that is supplied other than property or money. A service does not include supplies made by an employee to an employer in relation to the employee's office or employment.

Small supplier

A person whose total taxable sales made worldwide (including sales by associates) are \$30,000 or less¹ for the current calendar quarter as well as for all four calendar quarters immediately preceding it. A person generally ceases to be considered a small supplier immediately after the calendar month following the period of four calendar quarters in which this limit is exceeded. Certain persons (such as retail vendors of tobacco products, new tires, and new or used road vehicles) must register for the QST even if they are considered small suppliers. A taxi business must register for the QST and the GST even if it is a small supplier. For further information, refer to the brochure *Should I Register with Revenu Québec?* (IN-202-V).

Supply

The provision of a good or a service in any manner whatsoever, whether by way of sale, transfer, barter, exchange, lease or gift.

In this booklet, we also use the term "sale" since goods and services are most often supplied by way of sale.

1. For public service bodies, this amount is \$50,000 or less.



GENERAL INFORMATION

Administering the GST/HST in Québec

Under an agreement reached between the federal and Québec governments, Revenu Québec administers the GST/HST in Québec. Accordingly, Revenu Québec receives and processes applications for registration under the GST/HST system from all persons carrying on commercial activities in Québec. Once registered, these persons continue to deal with Revenu Québec for all GST- and HST-related matters (including returns, remittances, rebate applications, audits, investigations, interpretation of laws and regulations, notices of objection, tax collection, and unfiled returns).

The federal-provincial agreement does not affect the federal government's responsibility regarding the GST/HST. The CRA ensures uniform application of the GST/HST across Canada. In Québec, Revenu Québec is fully responsible for administering the GST/HST in accordance with the rules established by the federal government.

Whether registered for the taxes or not, you can find out more about the GST/HST and the QST by contacting Revenu Québec's client services. For more information, see "Services offered by Revenu Québec" on page 96.

Québec businesses that are registered for the GST/HST must collect the HST on sales they make in participating provinces (New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and British Columbia). However, the term "HST" is not systematically used throughout this booklet. The term "GST" is used to mean "GST/HST," unless otherwise specified.





The GST and QST systems

Basic rules

The supply of most goods and services is subject to GST¹ and QST. Most transactions conducted in Canada are GST-taxable at the rate of 5% of the sale price. Transactions conducted in Québec are subject not only to GST, but also to 9.5% QST² calculated on the sale price (including the GST). Certain goods and services are zero-rated, which means that they are subject to GST and QST at the rate of 0% (see the next section). A small number of goods and services are tax-exempt; they are not subject to GST and QST (see the next section).

Example

You sell a pair of shoes priced at \$100. The taxes are calculated as follows:

Sale price		\$100.00
GST (\$100 X 5%)	+	\$5.00
QST [(\$100 + \$5) X 9.5%]	+	\$9.98
Total		\$114.98

The HST applies in the participating provinces (New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and British Columbia). Generally speaking, the basic GST³ rules also apply to the HST. The applicable HST rates in each participating province are listed under “Sales to persons residing in a participating province” on page 56.

Businesses registered for the GST are automatically registered for the HST; they must collect and remit the HST on any taxable sales (excluding zero-rated sales) that they make in the participating provinces. If you do business with the residents of one of these provinces, refer to “Sales to persons residing in a participating province” on page 56.

The GST and QST are generally collected at each stage in the production and marketing of goods and services. Persons that carry on a commercial activity are required, in most cases, to register for both the GST and the QST.

As a registrant, you must collect GST and QST on your taxable sales (excluding zero-rated sales), but you may also recover the GST and QST paid or payable by you on goods or services that you acquire for use in your commercial activities. You do this by claiming an ITC under the GST system and an ITR under the QST system. For example, if you buy office equipment for your business, you may claim an ITC and an ITR to recover the taxes you pay on the equipment.

1. In this paragraph and in the following example, GST does not mean the HST.

2. The rate was 8.5% from January 1 to December 31, 2011. Prior to that, the rate was 7.5%.

3. In this paragraph and in the following paragraph, GST does not mean the HST.



You must file GST and QST returns with Revenu Québec to report the taxes you collect (or are required to collect), as well as the amounts that you are claiming as ITCs and ITRs. A filing frequency is assigned to you by Revenu Québec at the time of registration, usually on the basis of your (and your associates') total annual taxable sales made in Canada. Whether monthly, quarterly or annual, the filing frequency is generally the same for the GST and the QST. In certain cases, you may have different filing frequencies.

When completing your returns, you must subtract your ITCs from the GST you collected (or were required to collect) and your ITRs from the QST you collected (or were required to collect). Any tax you collected (or were required to collect) on a supply is considered to have been collected, regardless of whether your customer has paid it. If the amount of tax you collected (or were required to collect) is greater than the amount of your ITCs and ITRs, you must remit the difference to Revenu Québec. If the amount of tax you collected (or were required to collect) is less than the amount of your ITCs and ITRs, you are entitled to a refund. You must file a return even if you have no remittance to make.

For reporting periods ending on or after July 1, 2010, certain registrants **must** file their GST and QST returns electronically. For more information, refer to "GST and QST returns" on page 39.

If you are a small supplier, you are generally not required to register for the GST and the QST. You do not have to collect and remit taxes, even if you make taxable sales. However, if you are not registered, you may not claim ITCs and ITRs to recover the GST and QST you pay on your business purchases. You may nonetheless choose to register. If you do so, you must register for both taxes for a period of at least one year. You will then be required to collect the taxes on all your taxable sales (excluding zero-rated sales) and remit them to Revenu Québec.

Types of supplies

There are three types of supplies: taxable, zero-rated and exempt. To determine whether you must collect GST and QST, or whether you may claim an ITC and an ITR, you must know the type of supply being made for each transaction you carry out.

The supply of a good or service (including zero-rated supplies) is said to be a **taxable supply** if it is subject to GST or QST and is made in the course of commercial activities. GST¹ at the rate of 5% and QST at the rate of 9.5% apply to the supply, unless it is exempt or zero-rated (taxable at the rate of 0%). Registrants that acquire taxable goods or services in the course of their commercial activities may be entitled to an ITC or an ITR.

Supplies that are subject to 5% GST and 9.5% QST include the following:

- tools sold to a business specialized in the repair of small motors, as well as lawnmowers sold by the business;
- moulds sold to a bakery, as well as chocolates sold by this bakery;
- computers sold to a law firm, as well as legal services provided by the firm;
- sales of new residential complexes;
- sales and rentals of commercial buildings;
- retail automobile sales and automobile rentals;

1. In this paragraph and in the following paragraph, GST does not mean the HST.



- sales of gasoline and automobile repair services;
- sales of soft drinks, candy and potato chips;
- sales of clothing and footwear;
- the rental of hotel accommodations for a night;
- the provision of barber and hairstylist services;
- sales of printed books that have an International Standard Book Number (ISBN), in the GST system only.

You are not required to collect GST or QST on the **zero-rated supplies** you make, since these supplies are taxable at the rate of 0% in both the GST and the QST systems. For the same reason, you are not entitled to ITCs or ITRs if you acquire zero-rated supplies. However, you may be entitled to ITCs or ITRs if you acquire taxable goods or services in order to make zero-rated supplies.

Zero-rated supplies include the following:

- sales of prescription drugs;
- sales of certain medical devices;
- sales of basic groceries;
- sales of certain property used in the farming and fishing sectors;
- sales of certain goods or services exported outside Canada (or shipped outside Québec, for QST purposes);
- the provision of certain passenger or freight transportation services;
- the provision of financial services and sales of printed books identified by an International Standard Book Number (ISBN), in the QST system only.

You are not required to collect or pay GST or QST on **exempt supplies** of goods and services because such supplies are not subject to the taxes. Accordingly, you may not claim ITCs or ITRs with respect to taxable purchases made in order to make exempt supplies. However, certain public service bodies, regardless of whether they are registrants, may claim tax rebates with respect to exempt supplies. Note that exempt supplies are not taken into account in determining whether or not a person must be a registrant.

Exempt supplies include the following:

- sales of residential complexes that are not new;
- the provision of most health, education, childcare and legal-aid services;
- the provision of certain services by public sector bodies (that is, governments and public service bodies);
- the provision of financial services, in the GST system only.



Place of supply

GST applies to the sale price of most transactions carried out in Canada. Likewise, QST applies to most transactions carried out in Québec. The place of supply determines whether GST is applicable, and whether QST is applicable. In the sections that follow, both GST and QST rules apply to supplies made in Québec, since they are also made in Canada. Cases where GST rules differ are specified.

SALES OF TANGIBLE PERSONAL PROPERTY

The sale of tangible personal property by a supplier is considered made in Québec if the property is delivered or made available to the purchaser in Québec. The property can be made available by mail, courier service or a common carrier hired by the supplier on behalf of the purchaser.

Examples

- A sawmill in Rivière-du-Loup is registered for the GST¹ and the QST. It sells lumber to a furniture manufacturer in Montmagny. The sales contract specifies that the delivery is "FCA² purchaser's plant." The sawmill must collect GST and QST because the sale is considered made in Québec. The same would be true if the sawmill had hired a common carrier, on behalf of the purchaser, to deliver the lumber to Montmagny. However, if the sawmill sells lumber to a purchaser in the United States under the same conditions, it is not required to collect the taxes since the supply is considered made outside Canada.
- The same sawmill sells lumber to a furniture manufacturer in Winnipeg, Manitoba. The sales contract specifies that the delivery is "FCA supplier's plant." The furniture manufacturer comes to pick up the lumber or hires a common carrier to deliver the lumber to Winnipeg. The sale is considered made in Québec. The sawmill must collect GST at the rate of 5%, but is not required to collect QST. Under the QST system, the lumber is zero-rated for the following reasons:
 - The purchaser intends to ship the lumber outside Québec, and does so within a reasonable time after the lumber is delivered by the sawmill.
 - The lumber was not acquired for consumption, use or supply in Québec.
 - The lumber was not processed, transformed or altered in Québec before being shipped outside the province.
 - The sawmill has satisfactory proof that the purchaser shipped the lumber outside Québec.
- A mail-order business in Montréal is registered for the GST and the QST, and sells CDs to customers throughout Canada. It must collect GST and QST on orders mailed within Québec, 12% HST on orders mailed to British Columbia, 15% to Nova Scotia and 13% to the other participating provinces, and 5% GST on orders mailed elsewhere in Canada.

1. In this example, GST does not mean the HST.

2. "FCA" means "free carrier" and indicates the place where the merchandise becomes the purchaser's property.

LEASE OF TANGIBLE PERSONAL PROPERTY

The lease of tangible personal property for a period of three months or less is considered carried out in Québec if the property is delivered or made available to the purchaser in Québec.

The lease of tangible personal property for a period of more than three months is treated as a series of separate transactions. Each transaction corresponds to a lease period to which a payment is attributable. If the usual location of the tangible personal property is in Québec, the lease is considered carried out in Québec. The location must be determined at the time of lease.

The lease of property for a certain lease period is considered carried out on the earliest of the following dates:

- the first day of the period;
- the day the payment attributable to the period is due; or
- the day the payment attributable to the period is made.

Example

A leasing business leases a generator for a four-year period to a construction company operating in Québec. The generator is usually stored and maintained at the construction company's facilities in Québec. During the second month of the lease, the company expands its operations to Ontario and relocates the generator in Ontario. The first two lease payments are subject to GST¹ and QST. The lease payment attributable to the third month and following months is subject to HST, provided the generator remains in Ontario.

A special rule applies to the lease of road vehicles.



1. In this example, GST does not mean the HST.



SALES OF SERVICES

As a rule, a service is considered performed in Québec if, in the ordinary course of the supplier's business, the supplier obtains an address of the purchaser that is in Québec and is

- the home address or the business address of the purchaser in Canada, if the supplier obtains only one address;
- the address most closely connected with the supply, if the supplier obtains both the home address and the business address of the purchaser in Canada;
- the address of the purchaser in Canada that is most closely connected with the service, if the supplier obtains neither the home address nor the business address of the purchaser in Canada.

The service is also considered performed in Québec if the part of the service performed in Canada is performed primarily (more than 50%) in Québec.

A service cannot be considered performed in Québec if it is performed entirely outside Canada, even if the purchaser has one or more home or business addresses in Québec.

Examples

A supplier that is located in Toronto, Ontario, and registered for the GST¹ and the QST is hired to design the website of a business in Québec. The service is performed entirely in Ontario. In the ordinary course of its business, the supplier obtains the purchaser's address in Québec. Since the place of supply is in Québec, GST and QST apply to the sale of the website design service.

A Sherbrooke-based supplier of translation services is registered for the GST and the QST and offers her services online. She receives documents from her clients and sends them the translations by email. The supplier does not obtain the addresses of her customers, but since the service is performed primarily in Québec (more than 50%), the place of supply is in Québec and GST and QST apply to her sales of translation services.

OTHER SALES

Special rules apply to sales of intangible personal property, real property (and services related to real property), passenger and freight transportation services, and telecommunications services made to residents of Québec. If you are a GST registrant resident in Québec, call Revenu Québec at one of the numbers listed on the back of this booklet.

For more information, consult information bulletins TVQ. 22.7-1/R1, *Place of Supply in the Case of a Supply by Way of Sale of Corporeal Movable Property*, and TVQ. 22.15-1/R1, *Website Design and Hosting Services and Québec Sales Tax*.

For more information about online transactions, consult technical information bulletin B-090, *GST/HST and Electronic Commerce*.

1. In these examples, GST does not mean the HST.



Guidelines for business advertising

Businesses must avoid giving customers the false impression that their purchases are not subject to tax.

Listed below are examples of recommended and prohibited ways to refer to taxes in advertising that will help you better understand your responsibilities in this regard.

Recommended wordings include the following:

- Taxes included
- Including taxes
- GST¹ and QST not included
- Taxes not included

Prohibited wordings include the following:

- No GST or QST
- No sales tax
- No taxes
- Tax-free
- Tax-free day

1. In these bullet lists, GST does not mean the HST.



COLLECTING GST AND QST

Registrants are required to collect GST and QST on taxable sales (excluding zero-rated sales). As a rule, vendors of taxable goods or services are responsible for billing and collecting the GST and QST and for remitting any amount of tax collected to Revenu Québec. If you have chosen not to register because you are a small supplier, you are generally not required to collect the taxes, except on sales of taxable real property.

Indicating and calculating the taxes

When you make a taxable sale (excluding zero-rated sales), you must advise the recipient of the good or service that the sale is subject to GST and QST. You can do this by indicating the amount of the taxes on the cash register receipt, invoice or sales contract, or by posting signs in your store which clearly state that the taxes are included in your prices. Whatever means you choose, you must ensure that the GST and QST are either indicated separately from the price or included in it.

The rate you use for calculating the taxes will depend on your cash register:

- You must use the 9.5%¹ rate to calculate the QST if your cash register calculates the GST² and QST in three stages, that is, if it calculates 5% GST on the sale price, adds the GST to the sale price, then applies the QST to the resulting subtotal.
- You must use the 9.975% rate to calculate the QST if your cash register calculates the GST and QST in two stages, that is, if it calculates 5% GST on the sale price, then also calculates the QST on the sale price. This rate may be rounded off to 9.97% **only** if your cash register does not process three-decimal numbers.
- You must use the 14.975% rate to calculate the GST and QST if your cash register calculates the GST and QST in one stage, that is, if it uses a single rate to calculate the GST and QST on the sale price. This rate may be rounded off to 14.97% **only** if your cash register does not process three-decimal numbers.

The rates of 9.97%, 9.975%, 14.97% and 14.975% must not appear on the document attesting to the sale.

Only fractions equal to or greater than one-half of a cent (\$0.005) are counted as a whole cent (\$0.01) of sales tax. If more than one good or service is being sold, you can calculate the taxes on the total price of all the goods or services purchased before rounding off the fractions.

1. The rate was 8.5% from January 1 to December 31, 2011. Prior to that, the rate was 7.5%.

2. In this paragraph and in the next two paragraphs, GST does not mean the HST.

Preparing invoices

For information about the special mandatory billing requirement and tax measures imposed on restaurant establishments, see the document *Information for Restaurateurs* (IN-575-V). No special invoices or rules are otherwise imposed under the GST and QST systems. However, you must provide certain information when you apply for ITCs or ITRs. The information required on invoices varies according to the total value of the goods or services you purchased. As a registrant, you must ask your supplier for the information you need to support your ITC and ITR claims. Your customers that are registrants may also request such information from you.

Information required on invoices to justify ITCs and ITRs			
Information required	Total sale of less than \$30	Total sale of \$30 to \$149.99	Total sale of \$150 or more
Supplier's name or business name, or the name of an intermediary ¹	X	X	X
Date of invoice	X	X	X
Total amount of invoice	X	X	X
Amount of applicable tax ²	X (QST only)	X	X
Supplier's GST and QST registration numbers		X	X
Purchaser's name or business name			X
Terms of payment			X
Description of property or service	X (QST only)	X (QST only)	X

1. An intermediary is a registrant that makes supplies on behalf of a supplier with whom the intermediary has entered into an agreement.
2. In this note, GST does not mean the HST. Where the amount of tax includes both the GST and QST, indicate this amount for each taxable supply and specify that the GST and QST are included in the amount.



When to collect GST and QST

The GST and QST must be collected on the date the consideration is paid or on the date it is due, whichever comes first. Consideration (whether in the form of money, a good or a service) is deemed paid when the supplier receives it. Consideration is deemed due, in whole or in part, on the earliest of the following dates:

- the date on which the invoice is first issued;
- the date indicated on the invoice;
- the date on which the invoice would have been issued had it not been for an undue delay;
- the due date indicated in a written agreement.

The following specific rules stem from this general rule.

Payment made in instalments

The taxes on each instalment must generally be paid on the date the instalment is made or on the date it is due, whichever comes first. However, when tangible personal property is sold and ownership or possession is transferred to the purchaser before payment in full, the taxes on instalments not yet made must be collected no later than the last day of the month following the month of the transfer.

Vending machine operators

The taxes are deemed to have been collected on the date the money is removed from the machine.

Rental property

The taxes are payable no later than the date on which the lessee is required to pay the rent under the written contract.

Construction contracts

A portion of a construction contract payment is often withheld as security until the transaction is completed.¹ In this case, the GST and QST must be collected on the date this amount is withheld or on the date it is due, whichever comes first.

Conditional sales and instalment sales

Conditional sales are sales that are subject to one or more conditions. Sales made on a trial basis (that is, sales that become final only after possession on a trial basis has yielded conclusive results) are the most common type of conditional sale. Another type of conditional sale is the instalment sale, in which ownership of the property is transferred only after all instalments have been paid. In all conditional sales the GST and QST are payable, on any amount that has not already been paid or become payable, on the last day of the month following the month in which ownership or possession of the property is transferred to the recipient.

Further information concerning the collection of the GST and QST, refer to “Special cases” on page 45.

Any amount of GST or QST you collect is deemed to be held in trust.

1. In accordance with a federal or provincial law, or a written agreement relating to the construction, renovation, alteration or repair of a building, boat or other sea-going vessel.



CALCULATING YOUR ITCs AND ITRs

General rules

Registrants may recover the GST and QST paid or payable on taxable goods and services by claiming input tax credits (ITCs) and input tax refunds (ITRs).

“Inputs” include office furniture, computer systems, accountants’ fees, taxi fares, machine-repair costs, promotional items, tools, and other goods or services used or consumed in the course of your commercial activities.

However, the making of exempt supplies, such as the supply of a long-term lease respecting a residential complex, is not a commercial activity. Consequently, you cannot recover the GST and QST paid on goods and services acquired in the course of such activity.

Also, the following items do not give entitlement to ITCs or ITRs since they are not subject to GST or QST:

- salaries and wages;
- interest and dividends;
- municipal taxes, provincial taxes (other than the QST) and federal taxes (other than the GST);
- most charges, fines and contributions.

In addition, you cannot claim ITCs or ITRs in respect of goods and services acquired for personal use. Nor can you claim ITCs and ITRs with respect to membership fees or dues paid to an association whose main purpose is to provide recreational, dining or sporting facilities (including fitness clubs, golf clubs, and hunting and fishing clubs), unless you pay the fees or dues for the purpose of selling the membership because your commercial activity consists in supplying such memberships.

To be entitled to ITCs or ITRs, you must be a registrant during the reporting period in which the tax on the goods or services concerned is paid or becomes payable.

To determine whether the goods or services you acquire entitle you to ITCs and ITRs, ask yourself the following questions:

Am I required to pay GST and QST on the good or service? If no tax is payable, you cannot claim an ITC or an ITR.

Is the good or service intended for consumption, use or supply in a commercial activity? If the answer is no, you cannot claim an ITC or ITR. However, goods and services that are partly consumed, used or supplied in the course of a commercial activity generally give entitlement to an ITC or ITR according to their commercial use.

Was I a registrant during the reporting period in which I acquired the good or service? In most cases you can claim an ITC or ITR only if you were a registrant.



Under the GST and QST systems, goods and services that are acquired by certain public service bodies and that do not give entitlement to ITCs or ITRs may nonetheless give entitlement to GST or QST rebates for public service bodies. The table below gives the rebate rates for each type of organization concerned.

Type of organization	Rebate rate	
	GST ¹	QST
Municipalities	100%	0%
School authorities	68%	47%
Universities and public colleges	67%	47%
Hospital authorities, facility operators and external suppliers ²	83%	51.5%
Charities or qualifying non-profit organizations (other than selected public service bodies ³)	50%	50%

Public service bodies that paid HST in the participating provinces may be entitled to a 50% rebate of the federal component of the HST (portion corresponding to the GST). For more information, contact Revenu Québec (see the contact information on the back of this booklet).

Restrictions on ITRs for large businesses

As a registrant, you must determine whether you constitute an SMB or a large business for each fiscal year.

You are generally considered to be a large business for a given fiscal year if your and your associates' taxable sales (excluding sales of financial services) made in Canada exceeded \$10 million during the last fiscal year that ended before the given fiscal year. If the last fiscal year is shorter than 365 days, the value of the taxable sales for that year must be adjusted on the basis of a one-year period.

Your taxable sales made in Canada must include the value of all exports, including sales deemed to have been made outside Canada. They must also include any sales deemed to have been made for nil consideration pursuant to a joint election made by corporations that are specified members of a group of closely related corporations. However, your taxable sales made in Canada must not include GST⁴, amounts from the sale of real property that is capital property, or amounts from the sale of the goodwill of a business where no QST is payable on the sale.

1. In this table and in the following paragraph, GST does not mean the HST.

2. A "facility operator" is an organization that is not a hospital authority, but that operates an establishment offering care similar to that offered by a hospital authority. An "external supplier" is an organization that is neither a hospital authority nor a facility operator, but that makes ancillary supplies, facility supplies or home medical supplies.

3. A "selected public service body" is a municipality, a hospital authority, a facility operator, an external supplier, or a school authority, public college or university that is established and operated otherwise than for profit.

4. In this paragraph, GST does not mean the HST.

The following financial institutions, and persons related to these institutions, are considered large businesses regardless of the value of their taxable sales:

- banks
- trust companies
- credit unions
- insurers
- the segregated funds of insurers
- the Autorité des marchés financiers
- the Canada Deposit Insurance Corporation
- investment plans

The following goods and services do not give entitlement to ITRs if they are acquired by a large business:

- road vehicles under 3,000 kilograms that must be registered under the *Highway Safety Code* to be driven on public roads;
- goods and services relating to such vehicles, where the goods or services are acquired in Québec or brought into Québec within 12 months following the date on which the vehicle was acquired in or brought into Québec;
- fuel, other than fuel oil, used to supply the engine of such vehicles;
- electricity, gas, steam or combustibles, except when used to produce personal property intended for sale;
- telephone services and other telecommunications services, **except** Internet access services and “1 800,” “1 888” and similar numbers;
- food, beverages and entertainment that are only 50% deductible under the *Taxation Act*.

Most new registrants do not have to determine whether the taxable sales made during the last fiscal year exceeded \$10 million. In certain circumstances, however, new registrants must do so, for example where

- the business is a corporation resulting from an amalgamation. In such case, the value of the taxable sales made by each predecessor corporation must be taken into account;
- the business is carried on by a person that does not reside in Québec. In this case, the value of the taxable sales that the person makes elsewhere in Canada must be taken into account.

Where a large business acquires control of an SMB during the SMB’s fiscal year, the SMB (and any related corporations) retains its status as an SMB until the end of its current fiscal year, but it (and any related corporations) is considered a large business from the beginning of its following fiscal year.

A member of a partnership (other than an individual) is deemed to constitute an SMB or a large business according to whether the partnership itself is an SMB or a large business.



How to apply for ITCs and ITRs

Most registrants claim their ITCs and ITRs when they file their GST and QST returns for the reporting period during which the purchases were made. However, you generally have four years in which to claim your ITCs and ITRs for a given reporting period. This four-year period begins on the filing deadline for the return in which you could have claimed the ITCs and ITRs.

Example

Sylvia is registered for the GST and QST and files her returns on a quarterly basis. She made purchases in the course of her commercial activities in December 2011. She therefore has until January 31, 2016 (that is, the deadline for the return covering the reporting period from October 1 to December 31, 2015) to claim ITCs and ITRs on the purchases she made in December 2011.

The four-year deadline is reduced to two years for listed financial institutions¹ (such as a bank, an insurer or a trust). It is also reduced to two years for persons whose taxable sales during each of the two fiscal years preceding the fiscal year in question exceeded \$6 million. However, the deadline is four years for charities and businesses if 90% or more of their sales² made during either of the two fiscal years prior to the fiscal year in question are taxable sales.

If you elected to use the Quick Method of Accounting, you may not claim ITCs or ITRs respecting most of the purchases made in the course of your commercial activities. For further information, refer to “The Quick Method for calculating GST and QST remittances” on page 33.

If you are a new registrant and were considered a small supplier prior to registration, you may claim ITCs and ITRs in respect of certain property (such as capital property and inventories) in your possession at the time of registration (refer to “New registrants” on page 27).

Certain registrants that have claimed ITCs for HST paid in Ontario or British Columbia may have to recapture the portion relative to the provincial component of HST paid on the purchase of certain goods and services. This measure applies to registrants whose total annual taxable sales exceed \$10 million as well as certain financial institutions. For more information, contact Revenu Québec (see the contact information on the back of this booklet).

1. Unless the corporation is considered a financial institution because it made an election to have certain supplies considered financial services.

2. Sales of financial services are excluded.

Operating expenses

Operating expenses are expenses incurred by registrants to ensure the normal operation of their business. Examples of such expenses include fixed costs, management expenses, expenses related to other support functions, stationery costs, office rent, equipment rental costs, and utilities. If 90% or more of your operating expenses are incurred in the course of your commercial activities, you are entitled to an ITC of 100% of the GST paid and an ITR of 100% of the QST paid on the expenses. However, financial institutions are entitled to an ITC of 100% of the GST paid on their operating expenses only if 100% of the expenses are incurred in the course of their commercial activities.

If you carry on both taxable activities and exempt activities, you must apportion your expenses between the two types of activities. For this purpose, you must choose a fair and reasonable method and use it consistently for at least the duration of the fiscal year. Methods based on the allocation of space, time, cost or revenue may be used under certain conditions.

Example

You use the ground floor of a building you own to operate a retail store (commercial activity) and the second floor to carry on an exempt activity. Your electricity bill for the entire building is \$500 a month, plus \$25 GST¹ and \$49.88 QST. You determine that 60% of the electricity is used for the retail store and 40% for your exempt activity on the second floor.

You may claim an ITC of \$15.00 ($\$25 \times 60\%$) and an ITR of \$29.93 ($\$49.88 \times 60\%$) for the portion of the building used in your commercial activities.

1. In this example, GST does not mean the HST.



Capital property

Capital property is depreciable property for which capital cost allowance (CCA) may be claimed. It is also non-depreciable property whose disposition (by way of sale or otherwise) results in a capital gain or capital loss.

Capital property includes

- real property such as land or a building; and
- personal property such as machinery used by a business in its commercial activities. Other examples of capital property include refrigerators, ovens and other appliances; photocopy machines and computers; chairs, tables, sofas, beds and television sets used to furnish hotel rooms, waiting rooms and convention facilities.

For GST purposes, capital property does not include property in class 12 (chinaware, cutlery or other tableware costing less than \$200), class 14 (certain patents, franchises, concessions or licences issued for a limited period) or class 44 (a patent or a right to use patented information for a limited or unlimited period) of Schedule II of the *Income Tax Regulations*. You may claim ITCs for such property following the rules applicable to operating expenses. For QST purposes, capital property does not include property in class 12, 14 or 44 of Schedule B of the *Regulation respecting the Taxation Act*.

If you use 90% or more of a real property or more than 50% of a personal property for commercial activities, you may generally claim ITCs and ITRs for the full amount of the GST and QST you paid on the property. The table on the next page provides a checklist of the rules for claiming ITCs and ITRs on capital property. Please note that special rules apply to aircraft and passenger vehicles owned by registrants that are partnerships or individuals.

If you increase the percentage of commercial use of real property or personal property, you may be entitled to an additional ITC or ITR. If you reduce the percentage, you may have to remit GST and QST.



ITCs and ITRs respecting capital property				
	Percentage of use in commercial activities	All registrants¹	Individuals who are registrants²	Public service bodies
Personal property	≤ 50% > 50%	None 100%	None 100%	None 100%
Real property	≤ 10% > 10% to ≤ 50% > 50% to < 90% ≥ 90%	None % of use % of use 100%	None % of use ³ % of use 100%	None None ⁴ 100% ⁴ 100%
Passenger vehicles and aircraft ⁵	≤ 10% > 10% to ≤ 50% > 50% to < 90% ≥ 90%	None None 100% 100%	None Based on CCA ⁶ Based on CCA ⁶ 100%	None None 100% 100%

1. Under the GST system, financial institutions may claim ITCs based on the percentage of the capital property's use in commercial activities. Under the QST system, the rules respecting all registrants apply to financial institutions.
2. With respect to purchases of passenger vehicles and aircraft, partnerships must follow the rules that apply to individuals.
3. Registrant individuals may not claim ITCs or ITRs if the percentage of use of the capital property for personal purposes is higher than 50%.
4. A public service body may elect to have the rules governing all registrants apply.
5. The portion of the cost of passenger vehicles and aircraft giving entitlement to an ITC and an ITR is limited to the capital cost threshold under the *Income Tax Act* and the *Taxation Act*.
6. ITC = CCA x 5/105; ITR = CCA x 9.5/109.5.

**Examples**

You purchase a building (real property) and plan to use 60% of it in your commercial activities. You may therefore claim an ITC and an ITR equal to 60% of the GST¹ and QST you paid on the building, since less than 90% of the real property is to be used in commercial activities.

Cost of building		\$500,000
GST (5% x \$500,000)	+	\$25,000
		\$525,000
QST (9.5% x \$525,000)	+	\$49,875
Total		\$574,875
ITC claimed (\$25,000 x 60%)		\$15,000
ITR claimed (\$49,875 x 60%)		\$29,925

You purchase a computer (personal property) for your business that you intend to use 60% of the time in your commercial activities. You may claim an ITC and an ITR equal to 100% of the GST and QST you paid on the computer, since the property is to be used more than 50% of the time in your commercial activities.

Cost of computer		\$4,000
GST (5% x \$4,000)	+	\$200
		\$4,200
QST (9.5% x \$4,200)	+	\$399
Total		\$4,599
ITC claimed		\$200
ITR claimed		\$399

1. In these examples, GST does not mean the HST.

Home office expenses

You may claim ITCs and ITRs for home office expenses only if the work space in your home

- is your principal place of business; or
- is used exclusively (90% or more) to earn income from your business and to meet persons on a regular and continuous basis in the course of your commercial activities.

Registrant individuals may claim ITCs and ITRs for such expenses in the same proportion as the expenses are deductible for income tax purposes.

New registrants

If you are a small supplier and you decide to register, you may claim ITCs and ITRs in respect of all the goods you had on hand, immediately prior to registration, for consumption or use in your commercial activities. As a rule, these ITCs and ITRs equal the taxes you paid on the property (and, where applicable, on any improvements made to the property), minus any amounts (other than ITCs and ITRs) that you can recover through a rebate, refund, remission or other means. Depreciation of the property¹ must also be taken into account. The depreciation factor is generally calculated as follows: the FMV of the property at the time the ITC or ITR is determined, divided by the value on which the GST or QST was originally calculated.

If you are a new registrant, you may also claim ITCs and ITRs for any GST and QST payable, prior to registration, on services to be provided after registration, as well as on rent, royalties or similar amounts paid in the course of your commercial activities for a period subsequent to your registration.

You may claim these ITCs and ITRs on the first return you file after becoming a registrant.

Example

You prepay 18 months' office rent for the period from January 1, 2011, to June 30, 2012. You register on March 15, 2011, and may therefore claim an ITC and an ITR for the GST² and QST paid on rent for a period subsequent to that date. However, no ITC or ITR can be claimed for the GST and QST paid on rent from January 1 to March 15, 2011, since this tax relates to the period prior to your registration.

Additional information concerning ITCs and ITRs can be found under "Special cases" on page 45. Refer also to "Simplified method for calculating ITCs and ITRs" on the next page.

1. "Basic tax content" in the *Excise Tax Act* and the *Act respecting the Québec sales tax*.

2. In this example, GST does not mean the HST.



SIMPLIFIED METHOD FOR CALCULATING ITCs AND ITRs

Small businesses and eligible public service bodies may use a simplified method for calculating ITCs and ITRs.¹ This method does not affect the procedures for charging, collecting or reporting GST and QST. The main advantage of using the simplified method is that you do not have to calculate the exact amount of the expense and taxes for each invoice. Instead, you take into account only the amount of your taxable purchases (excluding zero-rated purchases) for which you may claim ITCs and ITRs.

To use the simplified method for a given fiscal year, you must meet all of the following requirements:

- You must be a registrant.
- Your total annual taxable sales (including sales by associates) made worldwide for the previous fiscal year must not exceed \$500,000. Do not include GST or QST in calculating total sales under the GST system, or QST in calculating total sales under the QST system. Also exclude supplies of financial services and sales of real property or goodwill in calculating total sales.
- If you start using the method in a quarter that is not the first quarter of your fiscal year, your total taxable sales for the previous quarter(s) of the current fiscal year must not exceed \$500,000. Do not include GST or QST in calculating total sales under the GST system, or QST in calculating total sales under the QST system.
- You must not be a listed financial institution, such as a bank, an insurer or a trust.
- Your total taxable purchases (excluding zero-rated purchases) in Canada for the previous fiscal year must not exceed \$2 million, including GST and QST.
- If you are a public service body, you must expect that your total taxable purchases (excluding zero-rated purchases) for the current fiscal year will not exceed \$2 million, including GST and QST.

1. In this booklet, the expression “simplified method for calculating ITCs and ITRs” is used to refer to both the streamlined input tax credit method (GST) and the streamlined method for determining input tax refunds (QST).

To calculate your ITCs and ITRs using the simplified method, follow the instructions below.

A

For the period covered by the return, determine the total amount (GST¹ and QST included) on which GST and QST were paid or payable.

This amount must include, where applicable,

- import taxes or duties;
- tips paid, provided they are reasonable;
- expenses incurred for capital property that is personal property (such as office furniture and equipment) used more than 50% for your commercial activities and expenses related to improvements made to such property;
- tax reimbursements you paid for expenses incurred by employees, partners or volunteers (you do not have to use the tax fraction 5/105 with the simplified method);
- the portion of the cost of a good or a service that becomes payable after the effective date of the election to use the simplified method;
- interest or penalties relating to late payment for a good or a service that constitutes a taxable sale;
- for purposes of calculating an ITC, the payment of non-refundable provincial sales taxes.

However, **do not include** the following amounts:

- expenses on which you did not pay GST or QST (such as payment of salaries or wages, insurance premiums or interest);
- amounts paid to acquire exempt or zero-rated goods or services;
- imports that are not subject to GST under the GST system, and property brought into Québec that is not subject to QST under the QST system;
- passenger vehicles and aircraft used less than 90% of the time by individuals or partnerships in their commercial activities;
- amounts that were paid or became payable before you began using the simplified method;
- 50% of meal and entertainment expenses (this does not apply to charities and public institutions);
- the portion of the capital cost of a passenger vehicle that exceeds the maximum amount that can be deducted for income tax purposes;
- purchases from non-registrants;
- under the GST system, payments of refundable provincial sales taxes, such as the QST;
- if you are a truck driver, meal expenses for which you cannot claim an ITC or an ITR,
- GST or QST paid on the purchase of real property.

1. In this calculation, GST does not mean the HST.

**B**

Determine your total taxable purchases (excluding zero-rated purchases) giving entitlement to an ITR under the QST system. Multiply this amount by 9.5/109.5 or 0.0868.¹ The result constitutes your ITR for the period. Carry this amount to box 206 of form FP-500-V, *Detailed Calculations*, or to box 206 of form VDZ-471.CD-V, *Detailed QST Calculation*.

Next, determine your total taxable purchases (excluding zero-rated purchases) giving entitlement to an ITC under the GST system. Subtract the ITR to which you are entitled, and multiply by 5/105 or 0.0476. The result constitutes your ITC for the period. Carry this amount to box 106 of form FP-500-V, *Detailed Calculations*, or to box 106 of form FPZ-34.CD-V, *Detailed GST/HST Calculation*.

Example

Your business incurs the expenses listed below during the fiscal year. These expenses are all taxable except for salaries and wages, and interest.

Salaries and wages		\$200.00
Inventories	+	\$345.08
Rent	+	\$230.05
Stationery	+	\$115.03
Interest	+	\$50.00
Office furniture	+	\$230.05
Total expenses		\$1,170.21
Salaries and interest (\$200 + \$50)	–	\$250.00
Total taxable expenses		\$920.21

The ITR and ITC are calculated as follows:

$$\text{ITR} = \$920.21 \times 9.5/109.5 = \mathbf{\$79.84}$$

$$\text{ITC} = (\$920.21 - \$79.84) \times 5/105 = \mathbf{\$40.02}$$

The simplified method can be used only for goods and services acquired to make taxable sales. Goods and services that are used to make both taxable and exempt sales, or that are intended for both personal and business use, give entitlement to an ITC under the GST system or an ITR under the QST system only in respect of the portion acquired for your commercial activities.

If you made purchases on which you paid the HST, you must follow the same steps to calculate the ITC to which you are entitled. You must do the calculation for each rate of the HST paid.

1. The tax fraction was 8.5/108.5, or 0.0783, from January 1 to December 31, 2011. Prior to that, the fraction was 7.5/107.5, or 0.0697.



If you wish to use the simplified method, you are not required to file any forms, but you must elect to use the method by one of the following deadlines:

- If your filing frequency is annual, your election must be made no later than the first day of the second fiscal quarter of the fiscal year in which the method is to be used. For example, if you wish to use the method in the fiscal year from January 1 to December 31, 2011, you must make the election no later than April 1, 2011.
- If your filing frequency is monthly or quarterly, your election must be made no later than the filing deadline for the first return on which the method is to be used. For example, if you wish to start using the method in the reporting period from January 1 to March 31, 2011, you must make the election no later than April 30, 2011.

Once you have elected to use the simplified method, you must continue to use it for at least one year, but you must stop using it if you cease to meet the requirements at any time in your fiscal year.

A similar method, called the simplified method for calculating the rebates of public service bodies,¹ can be used by charities, NPO's whose income from government funding is at least 40%, and other public service bodies. This method results not in ITCs and ITRs, but in a rebate for public service bodies. Under this method, you multiply the total allowable amount by 5/105 (for GST² purposes) and 9.5/109.5³ (for QST purposes), then by the appropriate rebate rate for your type of organization (refer to the table on page 20).

Registrants that use the Quick Method of Accounting or the Special Quick Method for public service bodies (refer to "The Quick Method for calculating GST and QST remittances" on page 33) can use the simplified method for calculating ITCs and ITRs or the simplified method for calculating the rebates of public service bodies respecting property to which the Quick Method rates do not apply.

1. The expression "simplified method for calculating the rebates of public service bodies" is used to refer to both the prescribed method of calculating rebates (GST) and the streamlined method for determining certain rebates (QST).

2. In this paragraph, GST does not mean the HST.

3. The fraction was 8.5/108.5 from January 1 to December 31, 2011. Prior to that, the fraction was 7.5/107.5.



CALCULATING NET GST AND QST

You are required to calculate, for each reporting period,

- the tax you collected and the tax you were required to collect (that is, tax billed but not paid) during the reporting period; and
- the tax you paid and the tax you were required to pay during the reporting period and that entitles you to ITCs or ITRs.

As a rule, the difference between these two amounts, if positive, is the net tax you must remit to Revenu Québec; if it is negative, it constitutes your refund.

To determine the GST and QST that you must remit, and that give entitlement to ITCs and ITRs, you may choose the method that best suits your needs.

If you are a small business, you may use the Quick Method of Accounting to determine the GST and QST to be remitted. Refer to “The Quick Method for calculating GST and QST remittances” on page 33 for more information concerning the Quick Method of Accounting and the Special Quick Method for public service bodies. Refer also to “Simplified method for calculating ITCs and ITRs” on page 28.

Determining the GST and QST payable

To determine the GST and QST payable, use two columns in your sales book to enter the GST and QST that you billed on taxable sales (excluding zero-rated sales) for the reporting period concerned, and two columns in your purchase book to enter the GST and QST that were billed to you during the same reporting period and that entitle you to ITCs and ITRs.

Since the taxes may be included in the total price, it is important that your method allows you to identify the amount of tax. As well, certain sales made to Indians, to governments or to government corporations and agencies referred to in the reciprocal taxation agreement are not subject to tax. Refer to “Sales to the federal government” on page 57, “Sales to the Québec government” on page 58 and “Sales to Indians” on page 59.

Refer to “When to collect GST and QST” on page 18 to find out when tax is considered paid and when consideration is considered due respecting leases, vending machines, partial payments, conditional sales, etc.

In addition, when calculating the net tax on your return (FPZ-500-V, or FPZ-34-V and VDZ-471-V) for a given period, you must take into account all ITCs and ITRs claimed for the period, including those applicable to previous periods. You may also take into account any amounts that, further to an adjustment, may be deducted in the calculation of your net tax for the period. These amounts generally correspond to the GST and QST you paid or were required to pay.

THE QUICK METHOD FOR CALCULATING GST AND QST REMITTANCES

The Quick Method¹ is a simplified accounting method designed to help registrants calculate the GST and QST they must remit to Revenu Québec.

Who may use the Quick Method?

Small businesses may use the Quick Method, provided their total annual taxable sales worldwide (including zero-rated sales and sales made by associates) do not exceed \$200,000² (GST³ included) under the GST system or \$219,000⁴ (GST and QST included) under the QST system.

The method may not be used by the following entities: listed financial institutions; charities; certain NPOs; selected public service bodies; firms that provide legal, accounting or actuarial services; firms that provide fiscal or financial consulting services; and firms that provide bookkeeping services or that specialize in the preparation of tax returns.

To estimate your reduction in the amount of taxes to be remitted if you use the Quick Method, use the **Quick Method of Accounting: A tool for estimating the reduction in GST and QST to be remitted** online service available on our website.

How does the Quick Method work?

Under the Quick Method, you collect GST³ and QST in the usual manner. However, you need not claim ITCs and ITRs respecting your current operating expenses or purchases made in the course of your commercial activities, because the Quick Method takes them into account. For GST purposes, you need only multiply the total taxable sales (including GST) you made in Canada by 1.8% or 3.6% (as applicable), and for QST purposes, simply multiply the total taxable sales (including GST and QST) you made in Québec by 3.4% or 6.6%⁵ (as applicable). The resulting amounts must then be remitted to Revenu Québec for each reporting period. In calculating your total sales, do not include zero-rated sales, sales of real property and capital property, or sales made to Indians or to a provincial government.

You may use the Quick Method regardless of whether you include the GST and QST in your sale prices or indicate the taxes separately from the price. Users of the Quick Method are still required to keep all supporting documents concerning their purchases and sales.

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1. The expression “Quick Method” is used instead of “Quick Method of Accounting” and refers to both the quick method (GST) and the quick method for determining the net tax for small businesses (QST).
 2. Not including zero-rated sales of financial services, and sales of real property, capital property or goodwill.
 3. In this section, GST does not mean the HST.
 4. The limit was \$217,000 from January 1 to December 31, 2011. Prior to that, the limit was \$215,000.
 5. The rates were 3% and 6% from January 1 to December 31, 2011. Prior to that, the rates were 2.7% and 5.3%.



If you make taxable sales in participating provinces, the rates may vary depending on the location of your business and depending on whether you charged GST or HST on your taxable sales (excluding zero-rated sales). For more information, refer to the CRA's guide *Quick Method of Accounting for GST/HST* (RC4058).

As a user of the Quick Method, you do not claim ITCs or ITRs in respect of most business expenses (such as heating costs, rent and telephone expenses). You may, however, claim ITCs and ITRs respecting acquisitions of land and property (such as a building, a vehicle or office furniture) that give entitlement to capital cost allowance (CCA) for income tax purposes. These ITCs and ITRs may be claimed in your GST and QST returns for the period during which the purchases were made.

The Quick Method rates apply only to sales made in the normal course of your commercial activities. For other transactions, such as the sale of land or used equipment giving entitlement to CCA, you must remit the full amount of GST and QST you collected or were required to collect.

Applicable rates

3.6% rate (GST) and 6.6%¹ rate (QST)

The general rates for most businesses are 3.6% for the GST and 6.6% for the QST. These rates apply to businesses such as taxi firms, dry cleaners, delivery services, auto repair shops, fast food outlets and travel agencies. Small manufacturers, caterers, photographers and painting contractors can also use these rates.

1.8% rate (GST) and 3.4%² rate (QST)

The applicable rates are 1.8% for the GST and 3.4% for the QST for retailers and wholesalers that purchase goods intended for sale, such as grocers, booksellers, tobacco vendors, and owners of convenience stores, boutiques and service stations. However, the property purchased for sale or for use in other property intended for sale (other than basic groceries and property on which the registrant is not required to pay the taxes at the time of purchase) must equal at least 40% of the business's total annual taxable sales.

1% rate reduction

If you use the Quick Method as of the first day of your fiscal year, or as of your registration date, you may apply a 1% rate reduction to a portion of your taxable sales (excluding zero-rated sales). For GST purposes, the 1% reduction applies to the first \$30,000 of your taxable sales (including GST) made during each fiscal year. For QST purposes, the 1% reduction applies to the first \$32,850³ of your taxable sales (including GST and QST) made during each fiscal year.

1. The rate was 6% from January 1 to December 31, 2011. Prior to that, the rate was 5.3%.

2. The rate was 3% from January 1 to December 31, 2011. Prior to that, the rate was 2.7%.

3. The amount was \$32,550 from January 1 to December 31, 2011. Prior to that, the amount was \$32,250.

If you file monthly or quarterly returns, the 1% reduction applies to your sales made during the first reporting period and subsequent reporting periods in the fiscal year, until the fiscal year ends or until the amount of sales reaches \$30,000 (for GST purposes) and \$32,850 (for QST purposes). If you file an annual return, the 1% reduction applies to the first \$30,000 of sales (for GST purposes) and the first \$32,850 of sales (for QST purposes) made during the fiscal year.

If your sales in any fiscal year are under \$30,000 (for GST purposes) and \$32,850 (for QST purposes), the unused amount cannot be carried forward.

Example

A cleaning business used the Quick Method in 2011. Since its annual taxable sales worldwide were not over \$200,000 (GST included) and \$219,000 (GST and QST included) in 2011, the business can continue to use the Quick Method for 2012. The applicable rates are 3.6% for GST purposes and 6.6% for QST purposes.

	GST		QST	
Taxable sales for the first quarter of 2011 (GST included)	\$22,000.00			
(GST and QST included)			\$24,090.00	
Applicable rate	x	3.6%	x	6.6%
		\$792.00		\$1,589.94
Reduction on the first \$30,000 of taxable sales				
(\$22,000 x 1%)	–	\$220.00		
(\$24,090 x 1%)			–	\$240.90
Tax remittances on the sales		\$572.00		\$1,349.04





Election to use the Quick Method

To choose the Quick Method, you must complete form FP-2074-V, *Election or Revocation of Election Respecting the Quick Method of Accounting*.

If you have a monthly or quarterly filing frequency, you must file the form with Revenu Québec no later than the deadline for filing your return for the period in which you want to use the method. For example, if you wish to start using the method for the reporting period from January 1 to March 31, 2011, you must file the form no later than April 30, 2011.

If you have an annual filing frequency, you must file the form with Revenu Québec no later than the first day of the second quarter of the fiscal year in which you want to use the method. For example, if you wish to use the method for the fiscal year from January 1 to December 31, 2011, you must file the form no later than April 1, 2011.

Revenu Québec will confirm your election in writing. The effective date you indicate on the form is the date on which you may begin using the Quick Method; however, the date must correspond to the first day of your GST and QST reporting period.

Once you have made the election, you must use the Quick Method for at least one year, provided your business continues to meet the requirements listed under “Who may use the Quick Method?” on page 33.

The election to use the Quick Method does not have to be made each year. It remains in effect as long as

- your total annual taxable sales do not exceed the maximum allowed for use of the method; and
- the rate you are entitled to use remains the same.

The election ceases to be in effect as soon as you revoke it. The election to use the Quick Method applies to all of your branches and divisions, regardless of whether they file separate GST and QST returns.

Special Quick Method for public service bodies

Owing to the special nature of their activities, qualifying non-profit organizations and certain public service bodies may use the Special Quick Method¹ to calculate the GST and QST to be remitted. Under this method, you simply multiply the total taxable sales on which you collected (or were required to collect) GST and QST by the prescribed rate for the type of public service body concerned.

To choose the method, you must file form FP-2287-V, *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting*.

Prescribed rates			
Type of organization	GST ²	QST	
		From January 1, 2011, to December 31, 2011	As of January 1, 2012
Hospital authorities, facility operators and external suppliers ³	4.5%	6.6%	7.3%
School authorities	4.4%	6.6%	7.3%
Municipalities	4.7%	5.2%	5.7%
Qualifying non-profit organizations	3.6%	6.6%	7.3%
Universities and public colleges	4.1% or 4.4% ⁴	6.6%	7.3%

Does your organization make sales in participating provinces? The CRA's guide, *The Special Quick Method of Accounting for Public Service Bodies* (RC4247), sets out the applicable rates.

1. The expression "Special Quick Method" is used to refer to both the special quick method for public service bodies (GST) and the quick method of determining the net tax for certain public service bodies (QST).
2. In this table, GST does not mean the HST.
3. A "facility operator" is an organization that is not a hospital authority, but that operates an establishment offering care similar to that offered by a hospital authority. An "external supplier" is an organization that is neither a hospital authority nor a facility operator, but that makes ancillary supplies, facility supplies or home medical supplies.
4. The 4.1% rate must be used where vending machine sales made by a university or college are at least 25% of the organization's total sales. Otherwise, the 4.4% rate must be used.



FILING YOUR GST AND QST RETURNS

You are ready to complete your GST and QST returns once you have calculated

- the GST and QST you collected and were required to collect (that is, tax billed but not paid) on your taxable sales (excluding zero-rated sales) during the reporting period; and
- the ITCs and ITRs to which you are entitled for the GST and QST you paid and were required to pay on your purchases during the reporting period.

If the amount of your ITCs and ITRs is greater than the amount of the GST and QST you collected or were required to collect during the same reporting period, the difference is your refund. In the opposite case, the difference is the amount you must remit to Revenu Québec. Whether you have a refund or an amount payable, any adjustments that you have made must be taken into account no later than the filing deadline for your return.

Filing frequency

Registrants must have the same fiscal year under the GST and QST systems so that their filing frequencies are identical for the two taxes. As a rule, the fiscal year is identical to the taxation year for income tax purposes. You may make an election regarding your filing frequency when you file form LM-1-V, *Application for Registration*.

Your filing frequency for GST and QST purposes is assigned to you on the basis of your and your associates' total annual taxable sales made in Canada. Your assigned filing frequency (monthly, quarterly or annual) is indicated on your confirmation of registration.

If you file on a monthly or quarterly basis, you must remit the amount of net GST and QST payable, or claim your refund, each time you file your return.

If you file on an annual basis, you may be required, as of the second year, to remit the taxes in four instalments each year and to file form FPZ-558-V, *GST/HST and QST Instalments*. A copy of the form will be sent to you before the due date for each instalment. Instalments must be paid no later than one month after the last day of each quarter in your fiscal year. Any adjustments to take into account the actual amounts of GST or QST remittable can be made on your return, which you file at the end of the year. However, you are not required to make instalments if your net GST or QST payable for the current year or the previous year is less than \$3,000. Simply file the annual return and remit the net GST or QST payable, or claim your refund. The \$3,000 limit refers to the total net GST or QST of your business as a whole, including all its branches and divisions, even if your branches or divisions file separate returns.

The table on the next page shows the assigned filing frequencies and the possible elections you can make to change the assigned frequency. The table does not apply to charities, which can choose their filing frequency regardless of their annual sales, or to garment manufacturers, which are required to file monthly returns under the QST system.

Annual taxable sales	Assigned filing frequency	Possible election
Over \$6,000,000	Monthly	None
Over \$1,500,000 but not over \$6,000,000	Quarterly	Monthly
\$1,500,000 or less	Annual (with or without instalments)	Monthly or quarterly

If you wish to change your assigned filing frequency, you must file form FP-620-V, *Election Respecting the GST/HST and QST Reporting Period*. See “Elections and applications concerning the administration of the GST and QST” on page 86. Remember that if you are not yet registered, you may make an election respecting your filing frequency on your *Application for Registration* (form LM-1-V). If you expect to claim refunds often, a shorter reporting period is to your advantage. Once you have chosen a filing frequency, you must normally use it for at least one year.

GST and QST returns

If you are a registrant, you must file a GST and a QST return even if you are not entitled to a refund or have no amount payable. One advantage of having the GST administered in Québec is that registrants in Québec can file a combined GST–QST return (form FPZ-500-V), and make their GST and QST remittances with a single cheque and a single remittance slip. Businesses that cannot use the combined GST–QST return must file a GST return (form FPZ-34-V) and a QST return (form VDZ-471-V), as applicable.

For reporting periods ending on or after July 1, 2010, the following GST and QST registrants **must** file their GST and QST returns online:

- registrants (other than charities) whose total annual taxable sales¹ exceed \$1,500,000 for GST purposes;
- registrants subject to the ITC recapture measure for the provincial portion of the HST paid on certain goods and services acquired in Ontario and British Columbia;
- builders affected by the transitional provisions concerning new housing in Ontario and British Columbia.

For more information on the online filing of GST and QST returns, go to the **Businesses** section of our website at www.revenuquebec.ca and click on **Consumption Taxes**.

For more information, refer to “Online services” on page 96.

Other registrants can choose to file online or by mail. If filing by mail, use the personalized forms sent to you by Revenu Québec.

1. Annual taxable sales for GST purposes include your and your associates’ taxable and zero-rated sales of goods and services, but do not include sales made outside Canada, zero-rated exports of goods and services, zero-rated financial services, and taxable sales of immovables and goodwill.



Monthly and quarterly returns must reach Revenu Québec no later than one month after the last day of the period covered by the return. Annual returns must generally reach Revenu Québec no later than three months following the end of the period covered by the return. An exception is made for individuals who are registrants and who, for a given year, have business income for income tax purposes (other than property income), an annual filing frequency, and a fiscal year that ends on December 31 for GST and QST purposes. These individuals have until June 15 of the following year to file their GST and QST returns. However, any GST or QST due must be remitted by April 30. The filing deadline that applies to you is indicated on the personalized return(s) sent to you by Revenu Québec.

Your return(s) must be filed by the applicable deadline (see above). If you lose your personalized return(s) or do not receive the return(s) at least 15 working days before the filing deadline, you can order a copy of the return(s) from our website at www.revenuquebec.ca, or by telephone at one of the numbers listed on the back of this booklet.

Certain businesses and organizations may apply to have their branches or divisions file separate GST and QST returns. To do so, they must use form FP-2010-V, *Application to File Separate Returns – Request to File Separate Rebate Applications – Revocation of Application or Request*. For further information about the form, refer to “Elections and applications concerning the administration of the GST and QST” on page 86.

Designated reporting periods

Registrants may request that certain reporting periods in a fiscal year be designated reporting periods, that is, periods for which they will not be required to file a return. To make this request, the tax that was collected or collectible and the adjustments in the net tax calculation must total \$1,000 or less for the reporting period(s) concerned. Amounts of tax pertaining to a designated period must be reported on the return for the following period.

Designated reporting periods can be useful for persons that operate a seasonal or part-time business, or for non-residents that carry on commercial activities in Canada (or in Québec, in respect of the QST) for a short time each year. Designated reporting periods are granted only if the registrant has fulfilled all obligations to the CRA and Revenu Québec.

Designated reporting periods can be granted to businesses and organizations, regardless of the amount of their receipts or the nature of their commercial activities, but not, in most cases, to registrants that file annual returns. Moreover, designated reporting periods cannot be granted to branches or divisions of a registrant, unless the registrant applies for the business as a whole.

To apply for designated GST and QST reporting periods, you must submit a letter to Revenu Québec, either at the time you register or before the beginning of the first designated period. The letter must indicate the date on which each designated period is to begin and end, and the registrant’s legal name and the names of any branches or divisions that file separate returns. Do not forget to sign the letter.

Dates to remember	
Monthly or quarterly reporting period	
One month after the last day of your reporting period	Filing deadline for GST and QST returns
Annual reporting period	
Three months after the last day of your reporting period	Filing deadline for GST and QST returns
Last day of the month following the end of each quarter in your fiscal year	Deadline for instalment payments of GST and QST (if you are required to pay instalments)
April 30 (for sole proprietorships)	Deadline for remitting GST and QST if your fiscal year ends on December 31
June 15 (for sole proprietorships)	Filing deadline for GST and QST returns if your fiscal year ends on December 31

Applying a tax refund to the payment of tax owing

You may wish to use a GST refund or rebate (such as an amount of tax paid in error or a rebate for public service bodies) for a given period to offset the net GST payable for the same period. In this case, you must complete the appropriate application and file it along with your GST return.

Accordingly, if your QST return shows net QST payable, and you are claiming a QST refund, you may deduct the refund from the amount owing, and remit or claim the difference, as applicable. Here again you must complete the appropriate application and file it with your return.

If you are using the combined GST–QST return (form FPZ-500-V), you may use a QST refund to offset GST payable, and vice versa. In this case, you would remit the difference to Revenu Québec, or claim it as a refund, as applicable. However, offset with respect to GST and QST is normally not allowed by Revenu Québec if a registrant

- has other debts to the federal or Québec government (even if a tax debt agreement has been reached); or
- has failed to file a return for a previous reporting period.



Example		
You collected \$1,200 in GST ¹ and \$1,800 in QST. You are entitled to an ITC of \$1,750 and an ITR of \$150.		
GST collected		\$1,200
ITC	–	\$1,750
Refund of net tax		(\$550)
QST collected		\$1,800
ITR	–	\$150
Net tax payable		\$1,650
Net tax to be remitted		\$1,650
Refund of net tax	–	\$550
Amount of remittance		\$1,100

If you have branches or divisions that file separate GST and QST returns, you may use the refund of one branch or division to offset the tax payable by another (GST offset by QST, or vice versa). To do so, the returns of the branches or divisions must be filed at the same time.

Tax remittances or refunds

Where should you make tax remittances or file refund applications?

All GST and QST amounts must be remitted to Revenu Québec. You can make your remittances online, just as you can file your GST and QST returns online. Simply use the online services on Revenu Québec's website at www.revenuquebec.ca. For more information, refer to "Online services" on page 96.

You can also make your remittances in person at a financial institution; in such case, be sure to have your remittance slip with you. If you make your remittances by mail, enclose your remittance slip along with your cheque or money order (made payable to the Minister of Revenue of Québec) in the return envelope. Indicate your GST and QST registration numbers on the cheque or money order.

GST and QST remittances of \$50,000 or more must be made at a financial institution.

Your remittance slip and payment must be received by Revenu Québec no later than the filing deadline for your return (that is, the date indicated on the personalized return sent to you by Revenu Québec). The date of receipt of a payment is the date on which the payment is received by a financial institution or a Revenu Québec office.

1. In this example, GST does not mean the HST.



If you are claiming a refund, or if you have no remittance to make, you cannot submit your return or your refund application to a financial institution. You must submit it online or mail it to Revenu Québec at one of the addresses listed on the back of this booklet. If you mail your application, whether you are making a remittance or claiming a refund, you must sign and return Part 2 (remittance slip) of your QST or GST form, as this constitutes your official return.

Never send cash by mail.

When will you receive your refund cheque or notice of assessment?

Revenu Québec must act with due diligence in refunding any net tax that a registrant claims on the required return.

If you do not receive your GST refund within 29 days after the day on which you filed your return, you will be paid interest calculated as of the 30th day following the date on which your return was received by Revenu Québec, provided

- you filed the return after the end of the reporting period; and
- you have filed all required returns for that reporting period and for all previous reporting periods. Any debt you have to the CRA may result in your not receiving the refund you claimed.

If you do not receive your QST refund within 45 days after Revenu Québec receives your return, you will be paid interest calculated as of the 46th day following the date of receipt of your return. Any debt you have to Revenu Québec may result in your not receiving the refund you claimed.



Penalties and interest

GST system

A penalty for failure to file is charged to any registrants that file their returns late. However, this penalty does not apply to a zero balance or a refund. The penalty is equal to

- 1% of the unpaid amount; **plus**
- 0.25% of the unpaid amount multiplied by the number of full months (up to 12 months) for which the return is late.

For reporting periods ending on or after July 1, 2010, Revenu Québec may impose a penalty on registrants that were required to file their GST returns online but did not do so.

Any amount that is not paid within the prescribed time is subject to interest at the prescribed rate. This rate is revised quarterly; for example, the rate under the GST system was 5% for the quarter ending on June 30, 2012. Interest is capitalized daily.

QST system

Persons that fail to pay an amount within the prescribed time are liable to a penalty. Under the QST system, the rate of the penalty is based on the number of days the remittance is late. The rate is 7% of the outstanding amount for payments that are 1 to 7 days late, 11% for payments that are 8 to 14 days late and 15% for payments that are 15 or more days late. Likewise, persons that fail to collect an amount are liable to a penalty of 15% of the amount, as are persons that obtain a refund to which they are not entitled or that exceeds the amount to which they are entitled. In addition, for reporting periods ending on or after July 1, 2010, Revenu Québec may impose a penalty on registrants that were required to file their QST returns online but did not do so.

Any amount that is not paid within the prescribed time is subject to interest at the prescribed rate. This rate is revised quarterly; for example, the rate under the QST system was 6% for the quarter ending on June 30, 2012. Interest is capitalized daily.

SPECIAL CASES

Cash discounts and late-payment charges

If you offer cash discounts (including early-payment discounts) on credit sales, you must collect the GST and QST on the total sale price before the discount.

Example		
The invoice you give to the customer contains the following information:		
Purchase		\$100.00
GST ¹	+	\$5.00
QST	+	\$9.98
Total		\$114.98
The invoice also confirms that a 2% discount is offered if the customer pays within 10 days of billing. The GST and QST do not change, even if the customer takes advantage of the discount. Consequently, the total price paid by the customer will be \$112.98, calculated as follows:		
Purchase (\$100 – \$2)		\$98.00
GST	+	\$5.00
QST	+	\$9.98
Total		\$112.98

If you charge an amount for late payment of a bill, the GST and QST must be calculated on the amount shown on the invoice before the addition of the late-payment charge.

Example	
You charge \$5 for late payment of a bill of \$100. In this case, the GST and QST must be collected only on the amount of \$100, even if your customer actually paid \$105 for the item.	

When the amount you bill the customer is already net of the early-payment discount, you must charge GST and QST on the invoiced amount.

Example	
You send a customer an invoice with instructions to pay \$108 if payment is made by March 23, or \$118 if payment is made after March 23. Even if the customer makes the payment after March 23, you must charge GST and QST on the amount of \$108.	

1. In the examples of this section, GST does not mean the HST.



Volume discounts

If you offer volume discounts, you may be able to adjust the GST and QST payable by the customer. This will depend on when the discount is granted.

If the discount is granted at the time of sale, you must bill the GST and QST on the discount price (the sale price minus the discount).

Example		
Ms. Brown buys 10 tables and 40 chairs and receives a 10% discount on the price.		
10 tables at \$150.00 each		\$1,500.00
10% discount	–	\$150.00
40 chairs at \$50.00 each		\$2,000.00
10% discount	–	\$200.00
		<u>\$3,150.00</u>
GST ¹ (5% x \$3,150)	+	\$157.50
QST (9.5% x \$3,307.50)	+	\$314.21
Total		\$3,621.71

Some volume discounts are granted after the sale is made and the GST and QST are collected. This type of discount is granted to the customer at the end of a set period, such as one year. In such a case, you may adjust, refund or credit the GST and QST related to the discount. If you choose to adjust the taxes, you must do so during the reporting period in which the discount was granted, or within four years after the end of that period. As a rule, you must also issue a credit note to the customer specifying the amount of the discount and the amount of adjusted taxes. However, a credit note is not necessary if the customer provides you with a debit note containing this information. In this case, the GST and QST collected do not change, but you may subtract an amount in the calculation of your net tax. If the customer is a registrant, the ITC and ITR to which the customer is entitled will be reduced.

In certain circumstances, you may not want to adjust the taxes, as when a registrant purchaser has already claimed an ITC and an ITR for the amounts. If you decide not to make the adjustment, the GST and QST must not be included in the discount, and a credit or debit note need not be provided.

1. In this example, GST does not mean the HST.

Deposits and returned goods

The GST and QST are collected on a deposit only if the deposit is considered to constitute partial payment of the sale price of a good or service. If the customer forfeits the deposit by not purchasing the item or service, both taxes are considered to be included in the deposit.

To determine the GST¹ to be remitted on the forfeited amount, multiply the amount of the deposit by 5/105. The table below shows the tax fractions to use in provinces where the HST applies.

Tax fractions in provinces where the HST applies				
	Before July 1, 2006	From July 1, 2006, to December 31, 2007	From January 1, 2008, to June 30, 2010	As of July 1, 2010
British Columbia	—	—	—	12/112
Ontario	—	—	—	13/113
Nova Scotia	15/115	14/114	13/113	15/115
New Brunswick and Newfoundland and Labrador	15/115	14/114	13/113	13/113

To determine the QST to be remitted, multiply the total amount of the deposit by 9.5/109.5.² Registrant customers may claim an ITC and an ITR for the taxes deemed to have been paid on the forfeited deposit if they have the required information.

Example

A customer pays a deposit of \$50 to reserve a television set for purchase, but later decides not to buy the item. The deposit is therefore forfeited. Revenu Québec considers that you have collected GST³ and QST equal to 5/105 and 9.5/109.5 respectively of the forfeited deposit. As a result, you must remit to Revenu Québec \$2.38 in GST (\$50 x 5/105) and \$4.34 in QST (\$50 x 9.5/109.5). If the customer is a registrant, an ITC of \$2.38 and an ITR of \$4.34 may be claimed in most cases.

1. In this paragraph, GST does not mean the HST.

2. The fraction was 8.5/108.5 from January 1 to December 31, 2011. Prior to that, the fraction was 7.5/107.5.

3. In this example, GST does not mean the HST.



If you provide a refund or credit on goods returned by a customer, the corresponding GST and QST may be refunded or credited to the customer. In either case, you must prepare a credit note and give it to your customer.

The note must include the following information:

- a statement to the effect that the document is a credit note;
- your name or business name and your GST and QST registration numbers;
- the customer's name or business name;
- the date on which the credit note is issued;
- the amount of the adjustment, credit or refund, or a statement to the effect that the total amount includes this amount, and the tax rate and reduction applicable to each item or service.

A debit note prepared by the customer and containing the information specified above is also acceptable.

You may deduct the GST and QST you refunded (or credited) to the customer from the net tax for the reporting period during which the credit or debit note was prepared, provided you have already taken the tax into account in the calculation of net tax for the reporting period concerned or a previous reporting period. The customer, in calculating net tax, is required to add the tax refunded by you. This is particularly important if the customer is a registrant and claimed an ITC and an ITR for the tax initially paid.

If you refund only a percentage of the purchase price (for example, 85%) and keep the balance to cover repackaging or other expenses, you may refund only 85% of the tax initially collected. You must also prepare a credit note (or request a debit note) for that amount.

Promotional gifts and free samples

In general, you are not required to collect GST or QST on promotional gifts distributed to customers free of charge or as a bonus on the purchase of another item, as long as the gifts are reasonable in the circumstances. However, you may claim ITCs and ITRs for the taxes you paid (or were required to pay) on purchases related to such gifts, provided the gifts are offered in relation to your taxable sales.



Gift cards and gift certificates

Gift cards, also known as “prepaid cards,” are a modern version of gift certificates offered by businesses in the form of swipe cards or chip cards. An amount of money is recorded on the card for use by a customer to purchase goods or services from the issuing business or businesses.

Gift certificates are vouchers that allow customers to purchase goods or services from one or more businesses.

Sales of gift cards and gift certificates are not taxable. However, when a customer uses a gift card or gift certificate, GST and QST must be calculated on the total price of the goods or services purchased, as in a cash purchase. The value of the gift card or gift certificate is considered to cover all or part of the amount paid for the goods or services purchased. As the retailer, you are not entitled to any form of compensation.

Example

For his birthday Daniel receives a \$30 gift card issued by a store that sells CDs. His purchase is as follows:

Price of CDs		\$35.00
GST ¹	+	\$1.75
		\$36.75
QST	+	\$3.49
		\$40.24
Value of gift card	–	\$30.00
Balance due		\$10.24

1. In this example, GST does not mean the HST.



Coupons

Coupons are receipts or tickets with a set monetary value (such as a \$2 discount) or without a set monetary value (such as a 10% discount). Coupons entitle the consumer to a discount on the purchase price of specific goods or services.

Coupon reimbursements, as well as related handling fees and postage, are not taxed. However, coupon clearing houses must charge GST and QST on brokerage fees.

The section below shows how to calculate the GST and QST on various types of coupons.

Reimbursable coupons

Reimbursable coupons reduce the total amount of the bill, like a cash payment. They are generally referred to as “manufacturers’ coupons,” and their face value is considered to include the GST and QST payable.

Reimbursable coupons

- are remitted by the retailer to a third party (for example, a coupon clearing house or the manufacturer) for redemption;
- entitle the purchaser to a specific discount (set amount) at the time of purchase; and
- apply only to taxable (excluding zero-rated) goods and services.

When a customer presents a retailer with this type of coupon and the retailer’s prices do not include the GST or QST, the retailer must total the value of all items purchased and add the GST and QST payable before deducting the value of the coupon(s) from the total amount charged. If the retailer’s prices include the GST and QST, the vendor must total the sale first and then deduct the value of the coupon(s).

Example		GST¹ and QST not included	GST and QST included
Depending on whether or not the taxes are included in the sale price, the amount paid by the customer is calculated as follows:			
Price of item		\$25.00	\$28.74
GST (\$25 x 5%)	+	\$1.25	
QST (\$26.25 x 9.5%)	+	\$2.49	
		\$28.74	\$28.74
Value of coupon (GST and QST included)	–	\$10.00	– \$10.00
Amount payable		\$18.74	\$18.74

On the GST return, the **retailer** must account for the GST collected without taking the face value of the coupon into account. The QST collected must be taken into account in the same manner on the QST return. On sending the coupon to the manufacturer for redemption, the retailer will be reimbursed for the full face value of the coupon (including GST and QST) and any related postage and handling fees.

1. In this example, GST does not mean the HST.



The **manufacturer** may claim an ITC and an ITR for the taxes that were reimbursed and deemed to have been included in the value of the coupon. The ITC will be equal to $5/105^1$ of the value of the coupon, the ITR to $9.5/109.5^2$ of its value.

Registrants that use such coupons to make purchases for their business must keep in mind that the value of the coupon is subtracted after calculation of the GST and QST, thereby reducing the amount of GST and QST actually paid on the purchases. The amount claimed as an ITC must therefore be reduced by $5/105$ of the face value of the coupon. Similarly, the amount claimed as an ITR must be reduced by $9.5/109.5$ of the face value of the coupon.

Non-reimbursable coupons

Non-reimbursable coupons are normally distributed by retailers, and have the following characteristics:

- They are not remitted to a third party for reimbursement.
- They entitle the customer to a specific discount (amount or set percentage) at the time of purchase.
- They apply only to taxable (excluding zero-rated) goods or services.

Retailers may treat such coupons as reimbursable coupons; this allows them to simplify their accounting, since all their coupons can be treated in the same way. In this case, they must follow the rules set out under “Reimbursable coupons” on page 50. The retailer can also claim ITCs and ITRs for the taxes that were deemed included in the value of the coupon, for the reporting period in which the coupon was accepted.

Alternatively, non-reimbursable coupons can be used to reduce the price of goods or services before the calculation of GST and QST. Retailers who choose this method must deduct the value of the coupon from the sale price before calculating the GST and QST payable by the purchaser. In this case, the retailer cannot claim ITCs and ITRs on the value of the coupons.

Example		
Mr. Claxton buys a tool in a hardware store, and obtains a discount by presenting a coupon.		
Total price of item		\$25.00
Face value of coupon	–	\$10.00
		\$15.00
GST ³ (\$15.00 x 5%)	+	\$0.75
QST [(\$15.00 + \$0.75) x 9.5%]	+	\$1.50
Amount payable		\$17.25

1. To find out which tax fraction to use in provinces where the HST applies, see “Deposits and returned goods” on page 47.

2. The fraction was $8.5/108.5$ from January 1 to December 31, 2011. Prior to that, the fraction was $7.5/107.5$.

3. In this example, GST does not mean the HST.



Other coupons

Coupons that are not for a specific discount are treated in the same way as non-reimbursable coupons whose value is deducted from the sale price of an item before calculation of the taxes.

These coupons may

- entitle the customer to various percentages of discount on the price of an item (for example, coupons offering a 10% discount on a purchase of five boxes or less and a discount of 20% on a purchase of six boxes or more);
- offer an item free of charge if another item is purchased (for example, two-for-one coupons);
- entitle the customer to more than one monetary discount (for example, \$0.10 off a 1 L bottle of soft drink, or \$0.20 off a 2 L bottle);
- be used for taxable or exempt goods and services.

Manufacturers' rebates

Rebates may be offered by manufacturers on their sales of property. The GST and QST rules for manufacturers' rebates apply when all three of the following conditions are met:

- A manufacturer sells taxable property (excluding zero-rated property, other than motor vehicles purchased for resale, under the QST system) to a customer entitled to a rebate.
- The sale is made either directly by the manufacturer or by another person (such as a retailer).
- The customer receives a rebate respecting the property from the manufacturer, accompanied by a note specifying that a portion of the rebate represents the GST and QST.

Some manufacturers provide a rebate application form with the property (often referred to as a "mail-in rebate"). In this case, the customer, after purchasing the item from the retailer, completes the rebate application and mails it directly to the manufacturer. Since the payment of the rebate is a separate transaction between the manufacturer and the customer, the retailer must take into account the GST and QST on the full sale price of the item, without deducting the value of the manufacturers' rebate.¹

Example

A customer purchases a package of batteries from a hardware store for \$8 plus \$0.40 GST¹ and \$0.80 QST. The package contains a form that can be completed and mailed to the manufacturer for a \$2 rebate. The manufacturer receives the rebate application and sends the customer a cheque for \$2.

Some manufacturers' rebates are granted to customers through the retailer at the time the property is purchased. Even if the amount of the rebate is applied to the retail price of the property, the retailer must collect GST and QST on the retail price before deducting the amount of the rebate.

1. In this example, GST does not mean the HST.

Example

A dealership sells an automobile for \$20,000. The dealer informs the customer (who is not a GST or QST registrant) that the manufacturer is providing a \$500 rebate on the automobile.

Sale price		\$20,000
GST ¹ (5% x \$20,000)	+	\$1,000
QST (9.5% x \$21,000)	+	\$1,995
		\$22,995
Rebate	–	\$500
Amount payable		\$22,495

The customer must pay \$20,500 (\$22,495 - \$1,995) to the dealership and \$1,995 to the Société de l'assurance automobile du Québec.

Manufacturers that grant a rebate are entitled to an ITC equal to $5/105^2$ of the value of the rebate for the period during which the rebate was granted. They are also entitled to an ITR equal to $9.5/109.5^3$ of the value of the rebate. Special rules apply if the customer is a registrant entitled to an ITC or an ITR, or to a GST or QST rebate. For more information, contact Revenu Québec (see the contact information on the back of this booklet).

Used property

Sales of used property

As a rule, the sale of used property (including property seized or repossessed by a creditor) is taxable at 5% GST⁴ and 9.5% QST. Consequently, an antique dealer that is a registrant must, in most cases, collect the taxes on furniture sold. However, used property is not taxable if sold by a person not engaged in commercial activities, with the following exception: under the QST system, road vehicles that must be registered under the *Highway Safety Code* are QST-taxable even if the vendor is not engaged in commercial activities. In such cases, the QST is collected when the vehicle is registered.

Persons that occupy a space at a flea market (referred to as “occupants”) are subject to the same rules as most other merchants, regardless of whether the merchandise they sell is new or used. Under the QST system, persons that make the selling space available must submit a list of the occupants (containing certain information) to Revenu Québec. For more information, refer to the brochure *Flea Markets* (IN-255-V).

1. In this example, GST does not mean the HST.

2. To find out which tax fraction to use in provinces where the HST applies, see the section “Deposits and returned goods” on page 47.

3. The fraction was 8.5/108.5 from January 1 to December 31, 2011. Prior to that, the fraction was 7.5/107.5.

4. In this paragraph, GST does not mean the HST.



Purchases or trade-ins of used property

If you accept used property as a trade-in for property you sell, special rules apply to the transaction, depending on whether the person trading in the property (the vendor) is a registrant.

THE VENDOR OF THE TRADE-IN IS A REGISTRANT

If the vendor of the trade-in is registered for the GST and the QST, the vendor must collect GST and QST on the value of the property traded in, inasmuch as the property was used in the course of the vendor's commercial activities. As the person accepting the trade-in, you must collect GST and QST from the vendor of the trade-in on the full sale price of the property you sell. There are, consequently, two separate transactions.

Example		
Your company, ABC, sells machinery to XYZ company for \$50,000. You grant \$20,000 on the trade-in of XYZ's used machinery. Both companies are registrants.		
Invoice prepared by ABC		
Sale price		\$50,000.00
GST ¹ (5% x \$50,000)	+	\$2,500.00
QST (9.5% x \$52,500)	+	\$4,987.50
		\$57,487.50
Trade-in (including taxes)	–	\$22,995.00
Amount paid by XYZ		\$34,492.50
Invoice prepared by XYZ		
Sale price		\$20,000
GST (5% x \$20,000)	+	\$1,000
QST (9.5% x \$21,000)	+	\$1,995
Total		\$22,995

Both you and the vendor of the trade-in may claim an ITC and an ITR for the taxes paid, since the property in each case was acquired in the course of commercial activities. The amount of GST and QST collected must be indicated on both the invoice prepared by the vendor of the trade-in and the invoice prepared by you.

1. In this example and the next example, GST does not mean the HST.



THE VENDOR OF THE TRADE-IN IS NOT A REGISTRANT

If the vendor of the trade-in is not registered for the GST and the QST, the vendor does not collect GST and QST on the value of the property traded in. As the person accepting the trade-in, you must calculate the taxes on the net amount of the sale, that is, on the sale price of the item minus the trade-in value. There is an exception for trade-ins of road vehicles under the QST system (explained below under “Trade-ins of road vehicles”).

Example		
Your company, Green Grass Inc., sells a lawnmower to Mr. Johnson for \$500, and grants \$100 for the trade-in of Mr. Johnson’s old lawnmower. Green Grass Inc. is a registrant, Mr. Johnson is not.		
New lawnmower		\$500.00
Lawnmower traded in	–	\$100.00
		<u>\$400.00</u>
GST (5% x \$400)	+	\$20.00
QST (9.5% x \$420)	+	\$39.90
Amount payable		\$459.90
Green Grass Inc. is not entitled to an ITC or an ITR.		

Trade-ins of road vehicles

Under the GST system, trade-ins of road vehicles are subject to the above-mentioned rules respecting the sale, purchase or trade-in of used property. The same is generally true under the QST system. However, the QST does not apply to motor vehicles traded in by registrants to vehicle vendors. Such sales are zero-rated, since the vehicle vendors acquire the vehicles exclusively for the purpose of selling them or of leasing them for a period of at least one year.

In the case of used road vehicles, the QST applies to the estimated value of the vehicle. The Société de l’assurance automobile du Québec (SAAQ) collects the QST on retail sales of motor vehicles with a net weight of less than 4,000 kilograms.

For more information, refer to the brochure *The QST, the GST/HST and Road Vehicles* (IN-624-V).



Sales to persons residing in a participating province

The HST applies in the participating provinces (New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and British Columbia). The basic GST¹ rules also apply to the HST. The table below shows the applicable HST rates in each of the participating provinces as well as the provincial and federal components of these rates.

Provinces where the HST applies	From January 1, 2008, to June 30, 2010			As of July 1, 2010		
	HST rate	Provincial HST component	Federal HST component	HST rate	Provincial HST component	Federal HST component
British Columbia	—	—	—	12%	7%	5%
Ontario	—	—	—	13%	8%	5%
Nova Scotia	13%	8%	5%	15%	10%	5%
New Brunswick and Newfoundland and Labrador	13%	8%	5%	13%	8%	5%

Businesses registered for the GST/HST must collect and remit HST on all taxable sales (excluding zero-rated sales) they make in a participating province.

Québec registrants are not required to account separately for the tax collected or paid at the HST rate of 12%, 13% or 15%. They may use their usual GST return to calculate their net tax. Such registrants must, however, account separately for the QST.

The rules pertaining to the place of supply apply for the purpose of determining whether a sale is made in or outside a participating province. Québec registrants must take these rules into account in deciding whether they must collect the GST or the HST on sales made to residents of these provinces.

The rules for determining the place of supply are the same as the rules used to determine whether a transaction occurs in Québec. For example, sales of tangible personal property are considered to have been made in a participating province if the property is delivered or made available by the vendor to the purchaser in a participating province. For more information, refer to “Place of supply” on page 12.

For more information, refer to GST/HST technical information bulletin B-103, *Harmonized Sales Tax: Place of supply rules for determining whether a supply is made in a province*.

1. In this section GST does not mean the HST.

Sales to the federal government

The federal government, its corporations and its agencies are required to pay GST when they acquire taxable goods or services (excluding zero-rated goods or services), and to collect and remit GST when they make taxable sales (excluding zero-rated sales). Consequently, you must collect GST on your taxable sales (excluding zero-rated sales) to the federal government, its corporations and its agencies.

Under a reciprocal tax agreement, the federal government, its corporations and its agencies are generally not required to pay QST. However, certain entities of the federal government must pay QST in Québec. Also, the federal government, its corporations and its agencies are required to collect QST and remit it to Revenu Québec. For a list of the federal government corporations and agencies that are required to pay QST, refer to interpretation bulletin TVQ. 16-1/R2, *The Government of Canada and Québec's Consumption Taxes*. For any federal government entity whose name does not appear on this list, contact us to find out whether it is required to pay QST.

Purchasing officers for the federal government, its corporations and its agencies must provide confirmation to suppliers that goods and services acquired are exempt from QST. Such confirmation may be indicated in an exemption certificate, order form or acquisition contract.





Sales to the Québec government

The Québec government, its departments and certain of its agencies and agents are not required to pay GST on the goods and services they acquire, and they are exempt from the QST. However, they are all required, without exception, to collect GST and QST on their taxable sales (excluding zero-rated sales) and to remit the taxes to Revenu Québec.

For a list of Québec government departments, agencies and agents that are not required to pay QST, refer to Schedule III of the *Regulation respecting the Québec sales tax* or contact us.

Purchasing officers for the Québec government, and for the government's departments, agencies and agents, must provide confirmation of GST- and QST-exempt status at the time a purchase is made. This confirmation may take the form of an exemption certificate, which is a signed declaration certifying that the goods and services are not subject to GST and QST because they are being acquired by the Québec government or one of its departments, agencies or agents. Such a declaration can be an integral part of the acquisition contract or order form, or a separate document remitted to the supplier. The declaration below is an example of the type of text that may be used.

Declaration of tax exempt status for Québec sales tax (QST) and goods and services tax (GST) purposes

This certifies that the goods or services in question are being ordered or purchased with public funds by

Québec government department or agency

for the use of that department or agency, and are therefore not subject to the Québec sales tax or the goods and services tax.

Signature of authorized person

You may claim ITCs and ITRs to recover the taxes paid on purchases made in the course of your commercial activities in order to make sales to the Québec government or its departments, agencies or agents.

Sales to Indians

In most cases, you must collect GST and QST on sales made to Indians, Indian bands and band-empowered entities, and on sales of goods and services made on a reserve to persons who are not Indians. However, the taxes are not charged where

- property is purchased on a reserve by an Indian, an Indian band or a band-empowered entity that is not a legal person, or delivered to a reserve by the vendor or the vendor's agent (and, in the case of a band-empowered entity that is a legal person, the property is intended for band management activities);
- services are provided entirely on a reserve, to an Indian, in respect of property located on the reserve at that time;
- services are provided entirely on a reserve to an Indian who is on the reserve at that time;
- transportation services, for transportation beginning and ending on a reserve, are provided to an Indian;
- services are acquired on or off a reserve by an Indian band or band-empowered entity for band management activities or for use with respect to real property situated on the reserve.

Transportation services, short-term accommodation, and meals and entertainment are subject to GST and QST if acquired outside a reserve. However, a refund of the taxes may be claimed if the goods or services were acquired for band management activities or for use with respect to real property situated on the reserve.

The exemption from the taxes cannot be granted unless the proper documents are submitted to the vendor.

Where the purchaser is an individual on a reserve, the vendor must keep adequate proof that the sale was made to an Indian registered under the *Indian Act*. The vendor may simply indicate, on the invoice, the individual's registry number included on the Certificate of Indian Status issued by Aboriginal Affairs and Northern Development Canada, or the individual's band name and family number (commonly known as the "band number" or "treaty number").

Where property is purchased on a reserve by an Indian band or band-empowered entity, the purchaser must provide the vendor with a document certifying that the property is being acquired by an Indian band or band-empowered entity.

Where property is acquired outside a reserve by an Indian, an Indian band or a band-empowered entity, the vendor must also retain (in addition to the registry number on the Certificate of Indian Status or the certifying document from the band or band-empowered entity) adequate proof that the property was delivered to the reserve by the vendor or the vendor's agent.

In the case of services, the document must certify that the services are being acquired by an Indian band or band-empowered entity for band management activities or in respect of real property situated on a reserve.



You may claim ITCs and ITRs in respect of purchases you make in the course of your commercial activities in order to sell goods or services to Indians, Indian bands or band-empowered entities. This is the case even if you are not required to collect GST or QST on the goods or services. We suggest that you keep separate entries in your books for sales made to Indians and sales on which you collected GST and QST.

Some vendors whose place of business is not located on a reserve do business primarily with Indians, Indian bands or band-empowered entities. In some cases, these vendors are in a remote location and their regular trading zone includes a reserve which is not in the immediate vicinity. In such cases, the requirement for the vendor to deliver the property to the reserve may be difficult to meet, either because of prohibitive costs or lack of transportation services. Where this is the case, vendors may, under certain conditions, make tax-exempt sales to Indians, Indian bands or band-empowered entities without delivering the property to the reserve.

For more information, refer to technical information bulletin B-039R3, *GST/HST Administrative Policy – Application of the GST/HST to Indians*, and interpretation bulletin TVQ. 16-17/R2, *Rules Relating to Indians*.

Special measures for the Mohawks of Kahnawake

There are special measures providing for a QST exemption on sales of property to the Mohawks of Kahnawake. The exemption does not cover meals served in restaurants, fuel or alcoholic beverages.

These measures must be applied by persons that carry on commercial activities in one of the municipalities located in the RCM of Roussillon (Candiac, Châteauguay, Delson, La Prairie, Léry, Mercier, Saint-Constant, Sainte-Catherine, Saint-Isidore, Saint-Mathieu and Saint-Philippe) and in the municipalities of Baie-D'Urfé, Beaconsfield, Brossard, Côte-Saint-Luc, Dollard-Des-Ormeaux, Dorval, Hampstead, Kirkland, L'Île-Dorval, Longueuil, Montréal, Montréal-Est, Montréal-Ouest, Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Saint-Lambert, Senneville and Westmount.

A Mohawk of Kahnawake who wishes to obtain the exemption must show two pieces of identification, one of which must be the Certificate of Indian Status. The other piece of identification may be the individual's Québec driver's licence, Québec health insurance card or Québec birth certificate. On the invoice, the merchant must indicate the purchaser's name and the number shown on the Certificate of Indian Status.

Sales to diplomats

You must collect the GST and QST on taxable sales (excluding zero-rated sales) made to diplomatic missions, consular posts and international organizations. The same rule holds for diplomatic agents, consular officers and designated officials of international organizations, whether they make purchases on their own behalf or on behalf of their organizations.

Representatives of foreign governments and their dependants therefore cannot avoid paying GST and QST by showing the vendor diplomatic identification cards issued by the federal or Québec government. They may, however, obtain a rebate of the taxes paid by filing the following with Revenu Québec: form FP-498-V, *GST/HST Rebate Application for a Foreign Representative, Diplomatic Mission, Consular Post, International Organization or Visiting Force Unit* (GST), and form LMZ-120-V, *Application for Rebate of Taxes and Duties (for Use by Diplomatic Missions, Consular Posts or International Organizations, or by Members Thereof)* (QST). These applications must be filed within two years after the date of purchase.

Members of diplomatic missions and consular posts may obtain tobacco products from selected suppliers without paying the tobacco tax, as may non-Canadian employees of certain international organizations. At selected branches of the Société des alcools du Québec, these persons may also obtain alcoholic beverages without paying the QST or the specific tax on alcoholic beverages. For more information, refer to the document *Tax Rebate for Foreign Representations* (IN-249-V) available on our website at www.revenuquebec.ca.

Sale of a business

If you sell all or a part of a business, you and the purchaser may make a joint election not to have the GST and the QST apply to the transaction. This election can be made only if the following conditions are met:

- As the vendor, you must be selling a business or part of a business that you established or carried on, or that you acquired after another person established it or carried it on.
- The purchaser must be a registrant.
- The purchaser must acquire all or substantially all (90% or more) of the property that may reasonably be considered necessary to carry on the business.

Whether a sale meets these conditions depends on how you answer the two questions below.



Are you selling a business or part of a business?

For GST and QST purposes, a business includes a trade, manufacture or professional practice. The assets of a business generally include real property, equipment, inventory and intangible property such as goodwill. As a rule, the sale of one or more individual assets is not considered to constitute a sale of a business or part of a business, even if the asset in question has a high monetary value and is indispensable to the operation or establishment of the business.

A part of a business is generally an activity that may be carried on by a functionally and physically distinct operating unit with its own goodwill and that the purchaser can, practically speaking, begin to carry on immediately. A part of a business may also be an activity which supports or is related to the broader business, but is organized as a separate activity capable of operating on its own.

Example

A cake and cookie manufacturer, in business for more than ten years, decides to specialize in cakes exclusively. Its cookie-making facilities (production line, inventory, equipment and intangible property) are put up for sale. In this case, it may be said that part of a business is being sold.

Is the purchaser acquiring all or substantially all of the property?

Property that the purchaser requires to carry on the business but that is not acquired under the sales agreement (for example, property acquired from another source or already in the purchaser's possession) must not make up more than 10% of the FMV of all the property required to carry on the business.

In addition, the purchaser must be capable of carrying on the same kind of business that was established or carried on by the vendor using the property acquired under the sales agreement.

Once the vendor and the purchaser have jointly elected not to apply the GST and QST, the vendor is not required to collect those taxes and the purchaser is not required to pay them. However, this is not the case where

- taxable services are rendered to the purchaser;
- taxable property is supplied by lease or similar agreement; or
- taxable real property is sold to a non-registrant.

Principals and agents (mandators and mandataries)

A mandate is a contract by which a person (an “agent” for GST purposes and a “mandatary” for QST purposes) is empowered to represent another person (the “principal” for GST purposes and the “mandator” for QST purposes) in the performance of a judicial act in respect of a third party. When the agent transacts with a third party in the course of a mandate, the agent is considered to be acting on behalf of the principal. An agent may thus sell tangible personal property on behalf of a principal.

Where the principal is required to collect the taxes on a sale, the usual GST and QST rules apply. In other words, principals must collect and report the taxes on the taxable sales (excluding zero-rated sales) made by their agents. For their part, agents must collect and report the taxes on the services they provide to principals with regard to taxable sales (excluding zero-rated sales).

Example

ABC Ltd., a company registered for the GST¹ and QST, has several surplus computers that had been used in its commercial activities. The company arranges to have the computers sold by an agent who is also registered for the GST and QST.

The agent asks for a commission amounting to 10% of the sale price (excluding the taxes), and sells all of the computers to one buyer for \$1,000.

The agent therefore bills the purchaser \$50 GST ($\$1,000 \times 5\%$) and \$99.75 QST ($\$1,050 \times 9.5\%$).

The agent then credits \$1,149.75 to ABC Ltd. and requests payment of the \$100 commission, \$5 GST and \$9.98 QST (for a total of \$114.98).

ABC Ltd. therefore receives \$1,034.77 from the agent ($\$1,149.75 - \114.98), and remits \$45 net GST ($\$50 - \5) and \$89.77 net QST ($\$99.75 - \9.98) to Revenu Québec. The agent reports to Revenu Québec only the taxes charged on the commission.

However, an agent and a principal may jointly elect to have the agent collect, report and remit the taxes. This election must be made using form FP-2506-V, *Election or Revocation of an Election Made Jointly by a Principal and an Agent or Auctioneer*. Under the election, the agent and principal become jointly and severally responsible for any obligations arising from the tax payable. Also, the agent must collect GST and QST on the commission received from the principal.

Where the principal is not required to collect the GST or QST on the sale of taxable tangible personal property,² the agent is generally considered to have sold the property to the buyer. The agent must therefore be registered for the GST and QST, and must collect the taxes and remit them to Revenu Québec. However, the agent is not required to collect the taxes on the services provided to the principal with regard to the sale.

1. In this example and in the next example, GST does not mean the HST.

2. Zero-rated property is excluded.

**Example**

Jane Smith, who is not registered for the taxes, asks a merchant (the agent) to sell a desk for her. The desk was used in Jane's home for non-business purposes. The agent, who is a registrant, asks for a commission of 10% of the sale price (excluding GST and QST), and sells the desk for \$1,000. The agent must collect \$50 GST and \$99.75 QST from the recipient and remit the amounts to Revenu Québec. However, the \$100 commission that Ms. Smith pays to the agent is not taxable.

In such cases, the principal and the agent may make a joint election, in writing, to have the principal collect the taxes from the buyer and report them to Revenu Québec. This election can be made if the principal is a registrant who is not required to collect the taxes on the sale in question and if the property was last acquired by the principal for consumption or use in a business, adventure or concern in the nature of trade. In this case, the agent must collect and report the GST and QST applicable to the services provided to the principal.

Auctioneers are considered agents, and are subject to special rules. For more information, contact Revenu Québec (see the contact information on the back of this booklet).

Exports

Tangible personal property

As a rule, tangible personal property is zero-rated for GST purposes if it is exported from Canada by the purchaser (or, in the case of the QST, if it is shipped outside Québec by the purchaser). You are therefore not required to collect the taxes on such property sold to a person that intends to export it from Canada (or ship it outside Québec).¹ You may nonetheless claim ITCs and ITRs to recover the taxes you paid on the goods and services acquired to make or sell such tangible personal property. For more information, refer to "Calculating your ITCs and ITRs" on page 19.

To qualify as zero-rated, such property must meet **all** the following conditions:

- The purchaser must not be a consumer.
- Once the property has been delivered to the purchaser in Canada, it must be taken outside Canada within a reasonable length of time.
- The property must not have been acquired for consumption, use or sale in Canada before being exported.
- The property must not be processed, transformed or altered in Canada after the sale and before being exported by the purchaser, except to the extent required for its transport.
- The purchaser must provide proof that the property is exported from Canada. You must keep this proof for audit purposes.

Property under warranty sold in Canada to a non-resident not registered for the GST and QST is also zero-rated.

1. Unless otherwise indicated, the rules set forth in this section ("Exports") apply to both taxes (even if the QST and Québec are not specifically mentioned).



Under the GST and QST systems, a person (other than a consumer) not resident in Canada that purchases property for export, but does not meet the criteria for zero-rating mentioned above, must pay the taxes, but may be entitled to a refund of the taxes paid. However, the purchaser must export the property within 60 days after delivery for use primarily (more than 50%) outside Canada. The GST rebate is claimed using form FP-189-V, *General GST/HST Rebate Application*. The QST rebate is claimed using form VD-403-V, *General Application for a Québec Sales Tax (QST) Rebate*.

An export trading house is a person at least 90% of whose commercial activities consist in exporting property outside Canada (under the GST system) or buying property in Québec for resale outside Québec (under the QST system). Such a person may request authorization from Revenu Québec to use export certificates (shipping certificates) in order to purchase property without paying the taxes. These certificates serve as proof that the property is to be exported from Canada (or shipped outside Québec).

Eligible non-manufacturing businesses whose activities consist in exporting property from Canada (or shipping property outside Québec), and that add limited value through their processing or distribution activities, may use an export (or shipping) distribution centre certificate. This certificate allows the business to acquire the following property without paying the taxes: inventory, property added to other property during processing, and customers' property that undergoes processing services. For more information about these certificates, contact Revenu Québec (see the contact information on the back of this booklet).

In general, you must collect GST and QST on property purchased by non-resident consumers. A GST rebate may be granted for tax paid on goods and services supplied as part of a tour package. GST and QST rebates may likewise be granted for tax paid on certain goods and services related to and supplied in connection with a foreign convention. As a supplier of such goods and services, you may pay or credit the rebate to your clients if the amount paid or credited applies to the GST and QST on an eligible tour package.

You must report the amounts paid or credited using form FP-106-V, *Information Return: Rebates Paid or Credited for Foreign Conventions and Tour Packages*. For more information, refer to the brochure *GST/HST Information for the Travel and Convention Industry* (RC4036).

In general, consumers that reside in Canada, outside Québec, may claim a rebate of the QST on the purchase of tangible personal property using form VD-352-V, *Rebate of Québec Sales Tax Paid by a Canadian Not Resident in Québec on Property Purchased in Québec*.

Most intangible personal property (with certain exceptions) is zero-rated if it is sold to persons not resident in Canada and if those persons are not registered for the GST and QST. For more information, refer to the brochure *General Information for GST/HST Registrants* (RC4022).



Services

The sale of services provided to non-residents is, as a rule, zero-rated. However, such transactions are subject to 5% GST¹ and 9.5%² QST if

- the sale is made to an individual who is not resident in Canada³ but is in Canada when he or she orders the service; or
- the service is provided to an individual during his or her stay in Canada.

The sale of services (other than transportation services) provided with respect to tangible personal property ordinarily situated outside Canada is zero-rated, provided the property is imported solely for the purpose of rendering the services and is exported as soon as possible after the services have been rendered.⁴ Any tangible personal property supplied with these services is also zero-rated.

Example

A person imports property ordinarily situated outside Canada for the sole purpose of making repairs. The property is exported as soon as possible once the repairs have been made. Accordingly, the repair service is zero-rated.

Other zero-rated services include

- certain professional or consulting services provided to a non-resident;
- advisory, consulting or research services that are intended to assist a person that is not a resident of Canada in taking up residence or establishing a business in Canada;
- advertising services provided in Canada to a non-resident that is not registered for the GST;
- services provided in Canada to a non-resident that is not a registrant, respecting property under warranty;
- services that consist in providing, to non-resident individuals, courses and examinations leading to a certificate, diploma, licence or similar document (or to a class or rating in respect of a licence) attesting to the non-resident individual's competence in a trade or vocation. The services must be sold to a non-resident (other than an individual) that is not a registrant.

1. In this paragraph, GST does not mean the HST.

2. The rate was 8.5% from January 1 to December 31, 2011. Prior to that, the rate was 7.5%.

3. The same rules apply for the QST in Québec. Unless otherwise indicated, the rules set forth in this section ("Exports") apply to both taxes (even if the QST and Québec are not specifically mentioned).

4. Services provided with respect to property that is ordinarily situated in Canada, outside Québec, are zero-rated for QST purposes, provided the purchaser of the services is registered for the GST.

Imports

Tangible personal property

Property imported into Canada is generally subject to GST, and property brought into Québec is generally subject to QST. Zero-rated property is exempted, as are items designated as non-taxable importations (GST system) or as non-taxable property brought into Québec (QST system). Such non-taxable items include

- medals, trophies and other prizes;
- goods donated to a charity that are subsequently imported by the charity; and
- replacement parts or replacement property that is under warranty and is sent to an individual in Canada.¹

GST is collected on taxable goods (excluding zero-rated goods) imported into Canada, when the goods go through customs. The amount of GST is calculated on the value of the goods, including any applicable excise tax and customs duties. QST is collected on taxable property (excluding zero-rated property) that is brought into Québec from outside Canada and is intended for consumers. In the case of property brought into Québec from another place in Canada, the person that brings the property into Québec must remit the corresponding QST to Revenu Québec immediately after the property arrives in Québec, unless the person is a registrant and the property is for consumption or use exclusively in commercial activities. In other words, the person is not required to pay QST on property brought into Québec in respect of which an ITR could be claimed if the person paid the tax.

The importer is responsible for paying the GST on imported goods. If you are a GST registrant, you may claim an ITC for the GST paid on goods imported in the course of your commercial activities.

Services and intangible personal property

Generally, you are not required to pay GST on services rendered outside Canada¹ or on intangible personal property you purchased from a non-resident that does not operate a business in Canada and is not required to register for the GST or QST, provided the property or services are acquired for use exclusively (90% or more) in your commercial activities.

Example

You hire a computer consultant from the United States to design a computer system exclusively (90% or more) for your business's commercial activities. The consultant does not carry on a business in Canada and is not registered for the GST or QST. You do not have to pay GST or QST on the consultant's services.

1. The same rules apply for the QST in Québec. Unless otherwise indicated, the rules set forth in this section ("Imports") apply to both taxes (even if the QST and Québec are not specifically mentioned).



Taxable services and taxable intangible personal property (excluding zero-rated services and property) that are not acquired exclusively (90% or more) for commercial activities are subject to GST and QST. The taxes are generally calculated on the amount charged for the services or property. The sale must have been made outside Canada.

Accordingly, if you are a Québec resident and you purchase services or intangible personal property from a non-resident that is not a registrant and does not operate a business in Canada, you are responsible for remitting to Revenu Québec the GST and QST payable on the services or property.

If the non-resident vendor is registered and the sale is deemed to have been made in Québec (that is, in Canada), you must remit the taxes to the vendor.

If you are a registrant and you acquired services or intangible personal property for use in your commercial activities, you may claim an ITC and an ITR.

Special rules apply under the GST system to a financial institution that imports taxable property or services. For more information, refer to GST/HST technical information bulletin B-095, *The Self-assessment Provisions of Section 218.01 and Subsection 218.1(1.2) for Financial Institutions (Import Rules)*.



Returnable containers

Deposits on beverage containers

Generally, deposits on beverage containers are not GST- or QST-taxable. For more information, refer to technical information bulletin B-089, *Returnable Containers*.

Deposits on other returnable containers

Other returnable containers or packages, such as oil drums and helium or oxygen cylinders, are generally considered to be part of the goods they contain, and the taxes apply to the container or package in the same way as they do to its contents. Consequently, a container filled with medical oxygen is zero-rated, because medical oxygen is zero-rated. If sold empty, such containers are subject to 5% GST¹ and 9.5%² QST.

When a container or package is returned, it can be treated in one of the following two ways:

- The purchaser of the container or package is deemed to have resold it to the original supplier and, if registered, must collect GST and QST from the supplier. The supplier, if registered, may claim an ITC and an ITR for the taxes paid on repurchasing the container or package.
- The amount paid by the supplier on the return of the container or package is deemed a refund made by the supplier to the purchaser. The supplier has the option of refunding or not refunding the taxes paid by the purchaser. The following rules apply:
 - If the supplier and the purchaser are both registrants and have remitted the GST and the QST to Revenu Québec or have claimed an ITC or an ITR for the taxes paid, the supplier must refund to the purchaser the deposit paid on the package or container, but does not have to refund the GST and QST paid at the time of purchase. In this case, there is no need to provide a credit or debit note and the refund of the deposit has no impact on the calculation of net tax in the GST and QST returns of the supplier and the purchaser.
 - If the supplier credits or refunds the purchaser the GST and the QST previously paid by the latter, a credit or debit note must be provided. In addition, the supplier and the purchaser must adjust their GST and QST returns for the period in which the note was provided. The supplier may deduct the amounts of GST and QST credited or refunded in the calculation of net tax, and the purchaser must include the amounts in the calculation of net tax.

Where goods are sold in a container or package other than the one in which they are usually sold, and the package or container is sold with the goods as a single item, the following rules apply:

- If the package or container can be considered incidental to the goods, the GST and QST will apply to the package or container if the taxes apply to the contents.
- If the package or container cannot be considered incidental to the goods, it is subject to GST and QST separately from its contents and regardless of whether the contents are taxable. In this case, the taxes must be collected on the portion of the sale price that pertains to the package or container.

1. In this paragraph, GST does not mean the HST.

2. The rate was 8.5% from January 1 to December 31, 2011. Prior to that, the rate was 7.5%.



Vending machines

The sale of food and beverages from vending machines is subject to 5% GST¹ and 9.5%² QST.

The price of these supplies generally includes GST and QST, which are considered to have been paid at the time of sale. However, the taxes must be taken into account for the reporting period that includes the day the money is removed from the machine.

The taxes must be calculated on the money collected from the vending machine. The QST is calculated by multiplying the amount collected by 9.5/109.5.³ GST is generally calculated in one of the following ways (choose one):

- amount collected (QST not included) x 5/105; or
- total amount collected x 5/115.⁴

Example

You remove \$100 (GST and QST included) from your vending machine. To determine the QST collected, do the following calculation: $\$100 \times 9.5/109.5 = \8.68 .

To determine the GST collected, do the following calculation: $(\$100 - \$8.68) \times 5/105 = \$4.35$.

Alternatively, you may multiply \$100 by 5/115 to determine the GST collected.

Vending-machine operators do not have to calculate GST and QST on items sold through mechanical coin-operated devices that accept only a single coin of \$0.25 or less for each transaction.

The right to use a washing machine or clothes dryer located in a common area of a residential complex is exempt from GST and QST.

1. In this section, GST does not mean the HST.

2. The rate was 8.5% from January 1 to December 31, 2011. Prior to that the rate was 7.5%.

3. The fraction was 8.5/108.5 from January 1 to December 31, 2011. Prior to that the fraction was 7.5/107.5.

4. The fractions were 5/105 and 5/114 from January 1, to December 31, 2011. Prior to that, the fractions were 5/105 and 5/113.

Bad debts

If you write off an amount as a bad debt, the GST and QST already remitted on the amount can be recovered through an adjustment on your GST return (box 108) or QST return (box 208). The adjustment must be made on a return filed within four years after the deadline for filing the return for the reporting period in which the bad debt was written off.

Certain requirements must be met for a debt to be deemed a bad debt under the GST and QST systems. For example, efforts must have been made to recover the debt and the debt must be written off the books of account. You must also keep on file the supporting documents respecting the bad debt. For more information, refer to interpretation bulletin TVQ. 444-1/R2, *Bad debts*.

Example

You provide a service to a customer and bill him for a total amount of \$149.46 (\$129.99 + \$6.50 GST¹ + \$12.97 QST).

You remit the full amount of the taxes to Revenu Québec, but the purchaser pays you only \$30.

You write off the rest of the amount as a bad debt. In this case you may make GST and QST adjustments on your returns, calculated as follows:

$$\text{GST adjustment: } \$6.50 \times \frac{(\$149.46 - \$30)}{\$149.46} = \$5.20$$

$$\text{QST adjustment: } \$12.97 \times \frac{(\$149.46 - \$30)}{\$149.46} = \$10.37$$

A month later, you receive a payment of \$60 on the \$119.46 that you wrote off as a bad debt. You must therefore calculate and remit the GST and QST applicable to the \$60 payment.

$$\text{GST remittance: } \frac{\$60 \times \$6.50}{\$149.46} = \$2.61$$

$$\text{QST remittance: } \frac{\$60 \times \$12.97}{\$149.46} = \$5.21$$

1. In this example, GST does not mean the HST.



Sales of real property

Registrant and non-registrant vendors of taxable real property (excluding zero-rated real property) must collect the GST or the QST, except in the following situations:

- The vendor does not reside in Canada (or Québec, for QST purposes). Note that a non-resident with a permanent establishment in Canada (or Québec, for QST purposes) is not considered a resident for the application of this rule.
- The purchaser is a registrant. If the purchaser is also an individual, the real property must not be a residential complex. Nor can it be a cemetery plot or place of burial, entombment or deposit of human remains or ashes.

In both of these situations, the purchaser must remit the GST and QST to Revenu Québec. Purchasers that are registrants and that use the real property primarily (more than 50%) in commercial activities must remit the taxes at the time of filing their regular return. Registrants that do not use the real property primarily (more than 50%) in commercial activities and non-registrants must enclose the payments with form FP-505-V, *Special-Purpose Return*.

Persons that use a combined GST–QST return must complete, on form FP-500-V, *Detailed Calculations*, the section entitled “Statement respecting real property, immovables or imported supplies.” Persons that use a GST return must also complete the section entitled “Statement respecting real property or imported supplies” on form FPZ-34.CD-V, *Detailed GST/HST Calculation*. Persons that use a QST return must also complete the section entitled “Statement respecting immovables” on form VDZ-471.CD-V, *Detailed QST Calculation*. These forms must be filed together with the regular return.

If the purchaser is a registrant and intends to use the real property primarily (more than 50%) in commercial activities, the GST and QST must be remitted on or before the day on which the purchaser is required to file the return for the reporting period during which the GST and QST become payable. In all other cases, the purchaser must remit the taxes on or before the last day of the calendar month that follows the month during which the GST and QST were payable.

If you completed your returns without realizing that you were entitled to a refund, you may use the amount of the refund to offset the tax payable on the real property.

Transitional measures concerning the application of the HST in Ontario and British Columbia may apply to the sale of new housing in one of these provinces after June 2010. For more information, contact Revenu Québec (see the contact information on the back of this booklet).

A purchaser that pays GST or QST to the vendor rather than Revenu Québec must request a refund of the tax from the vendor. If the vendor does not refund the amount requested by the purchaser, the vendor is required to report the amount on the return to be filed with Revenu Québec and enclose payment with the return. The purchaser must then remit the taxes as explained above, but may apply for a refund of the tax paid in error to the vendor. To apply for a refund of the GST, the purchaser must file form FP-189-V, *General GST/HST Rebate Application*. For a refund of the QST, the purchaser must file form VD-403-V, *General Application for a Québec Sales Tax (QST) Rebate*. The purchaser generally has two years after the date of payment of the tax to apply for a refund.

Self-supply of a residential complex

Builders that rent or occupy a residential property that they have built must generally pay GST and QST on the FMV of the property.

A builder is generally a person that is in the business of constructing or substantially renovating a residential complex on land that the person owns or leases. A builder also includes

- a supplier of a previously unoccupied mobile home or floating home;
- a person that purchases an unoccupied new residential complex for the purpose of reselling or leasing it to be used in the course of a business or an adventure or concern in the nature of trade;
- a person that acquires an interest in a residential complex while it is under construction or substantial renovation;
- a person that converts a commercial complex into a residential complex.

An individual who constructs or substantially renovates a residential complex otherwise than for use in the course of a business or an adventure or concern in the nature of trade is not considered a builder.

A builder is deemed to have sold and repurchased a complex on the later of the following dates:

- the date on which the work is substantially completed; or
- the date on which possession of the complex is transferred to the lessee or the complex is occupied by the builder (if the builder is an individual).

A builder is required to report and remit the taxes calculated on the FMV of the complex.

In accordance with these rules, the taxes are charged on a residential complex that is new or has been substantially renovated and that is leased or occupied as a place of residence by the builder before it is sold. As a rule, any subsequent sale of the property is exempt from the GST and QST.

A registrant builder is generally entitled to ITCs and ITRs on costs incurred in relation to the construction of the complex. If the builder is not a registrant, a rebate of the GST or QST related to acquisition and construction costs may be claimed once the self-supply has occurred. A GST rebate claim must be filed using form FP-189-V, *General GST/HST Rebate Application*, and a QST rebate claim using form VD-403-V, *General Application for a Québec Sales Tax (QST) Rebate*.

The following builders are generally excluded from the application of the self-supply rules:

- an individual who occupies a residential complex primarily (more than 50%) as his or her place of residence, provided the individual has not used the complex primarily (more than 50%) for any other purpose between the time the work is substantially completed and the time the complex is occupied primarily (more than 50%) as a place of residence, and has not claimed any ITCs or ITRs in respect of the acquisition of or improvements to the complex;
- universities, public colleges and school authorities in respect of the construction of student residences;
- certain religious communal organizations; and
- a registrant that constructs residential complexes at remote work sites for employees or subcontractors of the registrant, if the registrant has elected not to have the rules apply.



New housing rebate

Purchasers of new housing may claim a rebate of the GST¹ and the QST. In order for the purchaser to claim the rebate, the housing unit must be used as the principal place of residence by the purchaser, by a related individual or by a former spouse, and the individual in question must be the first occupant of the new unit.

For a housing unit whose purchase price is \$350,000 or less, the GST rebate is 36% of the tax paid on the purchase price, but may not exceed \$6,300. The amount of the rebate is progressively reduced for units whose purchase price is more than \$350,000 but less than \$450,000. No rebate may be claimed for units whose purchase price is \$450,000 or more.

For QST purposes, the rebate granted is 50% of the QST paid on the purchase price, provided a written offer to purchase is concluded, and ownership and possession are transferred after December 31, 2011. The QST paid on the GST new housing rebate is added to this amount. The maximum rebate, which is 50% of the QST paid for a housing unit whose purchase price is \$200,000, is \$9,804. The amount of the rebate is progressively reduced for units whose purchase price is more than \$200,000 but less than \$300,000. No rebate may be claimed for units whose purchase price is \$300,000 or more.

Where the written offer to purchase is concluded, and ownership and possession are transferred after December 31, 2010, and at least one of these events occurred before January 1, 2012, the rebate is 50% of the QST paid. The QST paid on the GST new housing rebate is added to this amount. The maximum rebate, which is 50% of the QST paid for a housing unit whose purchase price is \$200,000, is \$8,772. The amount of the rebate is progressively reduced for units whose purchase price is more than \$200,000 but less than \$300,000. No rebate may be claimed for units whose purchase price is \$300,000 or more.

If the written offer to purchase is concluded, or ownership and possession are transferred before January 1, 2011, the rebate is 36% of the QST paid. The QST paid on the GST new housing rebate is added to this amount. The maximum rebate, which is 36% of the QST paid for a housing unit whose purchase price is \$200,000, is \$5,573. The amount of the rebate is progressively reduced for units whose purchase price is more than \$200,000 but less than \$225,000. No rebate may be claimed for units whose purchase price is \$225,000 or more.

1. In this section, GST does not mean the HST.

GST		
Full 36% rebate Purchase price of the residential unit: \$350,000 or less	Progressively reduced rebate Purchase price of the residential unit: More than \$350,000 but less than \$450,000	No rebate Purchase price of the residential unit: \$450,000 or more

QST		
Written offer to purchase concluded, and ownership and possession transferred after December 31, 2011		
Full 50% rebate Purchase price of the residential unit: \$200,000 or less	Progressively reduced rebate Purchase price of the residential unit: More than \$200,000 but less than \$300,000	No rebate¹ Purchase price of the residential unit: \$300,000 or more

Written offer to purchase concluded, and ownership and possession transferred after December 31, 2010, and at least one of these events occurred before January 1, 2012		
Full 50% rebate Purchase price of the residential unit: \$200,000 or less	Progressively reduced rebate Purchase price of the residential unit: More than \$200,000 but less than \$300,000	No rebate¹ Purchase price of the residential unit: \$300,000 or more

Written offer to purchase concluded, or ownership and possession transferred before January 1, 2011		
Full 36% rebate Purchase price of the residential unit: \$200,000 or less	Progressively reduced rebate Purchase price of the residential unit: More than \$200,000 but less than \$225,000	No rebate² Purchase price of the residential unit: \$225,000 or more

1. Where the purchase price is \$300,000 or more but less than \$450,000, the purchaser may claim a QST rebate calculated on the amount of the GST rebate.

2. Where the purchase price is \$225,000 or more but less than \$450,000, the purchaser may claim a QST rebate calculated on the amount of the GST rebate.



The new housing rebates must be claimed using form FP-2190.A-V, *GST-QST New Housing Rebate Application: Owner of a New Home and Land Purchased from the Same Builder*.

In certain cases, the builder credits or pays the rebate directly to the purchaser at the time of purchase. If this is the case, the builder and the purchaser must complete form FP-2190.C-V, *GST-QST New Housing Rebate Application: Rebate Granted by a Builder*. The builder must then indicate the amount so paid or credited in the GST and QST returns for the reporting period in which the rebate was paid or credited. The builder must enclose the rebate application with the returns for the reporting period in which the sale occurred.

Under certain conditions, home owners who build or substantially renovate their own home or individuals who purchase shares of the capital stock of a cooperative housing corporation (housing co-op), a condominium unit, a mobile home or a floating home may also be entitled to a rebate.

The purchaser of a new residential rental property may claim a rebate of the GST and QST paid to the builder, provided the residential units are subsequently leased on a long-term basis to individuals as their place of residence. The rebate may also be claimed by the builder of a new residential rental property that is required to pay the taxes on the FMV of the property under the self-supply rules.

The GST rebate is 36% of the GST paid for each qualifying residential unit, but may not exceed \$6,300. The QST rebate is 36% of the QST paid for each qualifying residential unit, but may not exceed \$7,059. The QST paid on the GST new housing rebate is added to this amount.

To claim the new residential rental property GST rebate, file form FP-524-V, *New Residential Rental Property GST Rebate Application*, together with form FP-525-V, *New Residential Rental Property GST Rebate Application Supplement – Multiple Units*, where applicable. To claim the new residential rental property QST rebate, file form VD-370.67-V or VD-370.89-V, *New Residential Rental Property QST Rebate*. Non-registrants must claim the rebate by filing the applications directly with Revenu Québec. Registrants may deduct the amount of the rebate from the taxes payable, in which case they must enclose the rebate application with their GST and QST returns.

If you pay or credit an HST rebate for new housing or residential rental property at the time of the sale of new housing in Ontario or British Columbia, transitional measures may apply. For more information, contact Revenu Québec (see the contact information on the back of this booklet).

For further information, refer to the brochure *QST and GST/HST Rebates: New or Substantially Renovated Housing, New or Substantially Renovated Residential Rental Property* (IN-205-V).

Employee benefits

Although salaries, wages, commission, tips and other types of remuneration are not subject to GST or QST, other forms of compensation provided to employees, commonly referred to as “taxable benefits,” may be subject to the two taxes.

Employers that are registrants must pay GST and QST on certain benefits granted to employees if the benefits are taxable (excluding zero-rated) goods or services made available to employees and if all or a portion of the value of the benefits must be included in the calculation of the employees’ taxable income.

Employers are not required to pay the taxes if they are not eligible for an ITC or ITR respecting the goods or services. Under the QST system, this exemption also covers goods and services that are subject to the ITR restrictions for large businesses.

Taxable employee benefits on which employers must remit GST and QST include

- personal use of an automobile owned or leased by the employer;
- room and board;
- non-monetary bonuses;
- use of frequent-flyer points;
- gifts valued at more than \$500.

For further information, consult the brochure *Taxable Benefits* (IN-253-V). You may also consult the document *Employers’ Guide – Taxable Benefits and Allowances* (T4130), published by the CRA.

The amounts of GST¹ and QST payable by the employer on a taxable benefit unrelated to automobile operating costs are 4/104 (for GST) and 9.5/109.5 (for QST) of the total value² of the benefit. The total value of the benefit is the sum of the reported benefits (including GST and QST) and the amounts reimbursed by the employee with respect to stand-by charges and operating costs related to an automobile. Where the taxable benefit is related to automobile operating costs, the amounts of tax payable by the employer are equal to the prescribed percentages of 3% for GST and 5.4% for QST.

1. In this paragraph and in the following table, GST does not mean the HST.

2. In the legislation, the term used is “consideration.”



The table below provides the rates and tax fractions that apply to taxable benefits.

Taxable benefits	Years	GST	QST
Benefits related to the personal use of an automobile	2008 to 2010	3%	4.7%
	2011	3%	5.4%
	After 2011	3%	6%
Other benefits	2008 to 2010	4/104	7.5/107.5
	2011	4/104	8.5/108.5
	After 2011	4/104	9.5/109.5

In certain cases, property purchased or leased for the purpose of providing taxable employee benefits is subject to ITC and ITR restrictions. For example, an employer may not claim ITCs or ITRs in respect of goods or services acquired exclusively (90% or more) for an employee's personal use or consumption (such as membership in a fitness club). In such cases, the employer is not required to pay GST or QST on the taxable benefit granted to the employee. Under the QST system, this exemption also covers goods and services that are subject to the ITR restrictions for large businesses.

As a rule, the GST and QST payable on taxable employee benefits are due once a year, on the last day of February. This is the deadline for calculating employee benefits for income tax purposes and for issuing T4 and RL-1 slips. The total value of the benefits reported on an employee's T4 and RL-1 slips includes the GST and QST applicable to the taxable benefits received.

The GST and QST payable must be indicated on the appropriate return for the reporting period covering the last day of February of the year following the taxation year in which the benefits were granted.

If the last establishment where the employee worked is located in a participating province, the HST rates may apply. For more information, contact Revenu Québec (see the contact information on the back of this booklet).



Expenses incurred by employees, partners and volunteers

Allowances (such as travel allowances) and reimbursements paid to employees, members of a partnership or volunteers may entitle a registrant payer to ITRs and ITCs.

An “allowance” is a periodic payment or other payment that an employee receives from his or her employer, a partner receives from the partnership of which he or she is a member, or a volunteer receives from a charity or public institution for which he or she works (in addition to any salary, wages or other remuneration they may receive), and that is used to pay certain expenses without the recipient having to account for how the amount is spent.

A “reimbursement” is any amount that an employee, a partner or a volunteer receives (in addition to any salary, wages or other remuneration they may receive) in respect of expenses that the recipient must prove he or she incurred in the course of the employer’s, partnership’s or organization’s activities.

Allowances

GST registrants that pay an allowance to an employee¹ to defray reasonable expenses that were incurred in Canada (with respect to activities carried on by the registrants), and on which GST was paid, are entitled to claim an ITC if, pursuant to the *Income Tax Act*, the allowance is deductible (in whole or in part) in the calculation of the registrant’s income and if at least 90% of the expenses are taxable expenses (excluding zero-rated expenses). Employers² may claim an ITC to recover the GST paid on expenses that would have been recoverable in the form of an ITC had the expenses been incurred directly by them. The ITC is equal to 5/105 of the allowance paid, taking into account (where applicable) the restrictions on expenses incurred for meals and entertainment (refer to “Meal and entertainment expenses” on page 82).

Likewise, QST registrants may claim an ITR equal to 9.5/109.5³ of the allowance paid to an employee¹ for expenses incurred in Québec on which QST was paid, provided the allowance is deductible (in whole or in part) in the calculation of the registrants’ income pursuant to the *Taxation Act*. Employers² may claim an ITR for an allowance paid to an employee, just as if they had incurred the expenses covered by the allowance directly for their commercial activities.

Large businesses (LBs) may use the LB simplified method described under “Reimbursements” on the following page, but the method must be used for both allowances and reimbursements of expenses.

1. This is the most common situation, but allowances can also be paid to partners or volunteers.

2. The same applies to partnerships, charities and public institutions.

3. The fraction was 8.5/108.5 from January 1 to December 31, 2011. Prior to that, the fraction was 7.5/107.5.



Reimbursements

Registered employers, partnerships, charities and public institutions that reimburse expenses incurred by an employee, partner or volunteer are entitled to an ITC and an ITR equal to the GST and QST paid on the expenses.

They may choose either of the following methods to determine the ITC and ITR to which they are entitled with respect to a reimbursement of expenses incurred in Canada (or in Québec for QST purposes):

- **First method.** They may claim an ITC equal to 4/104 of the total amount reimbursed. In addition, SMBs may claim an ITR equal to 9/109¹ of that amount. This method, referred to as the “SMB simplified method,” may be used where at least 90% of the expenses reimbursed are taxable (excluding zero-rated expenses) and the expenses were incurred in Canada (or in Québec, for QST purposes). Large businesses may claim an ITR equal to 5%² of total expenses reimbursed by means of an expense account. This method, referred to as the “LB simplified method,” must be used for both allowances and reimbursements of expenses.
- **Second method.** Alternatively, they may calculate the actual amount of GST and QST paid on expenses that they reimbursed and that were incurred in Canada (or in Québec, for QST purposes) during the reporting period in question. Under this method, the GST or QST paid by the employee, partner or volunteer is multiplied by the lesser of the following amounts:
 - the percentage of the cost that is reimbursed (that is, the reimbursement divided by the cost); or
 - the proportion in which the good or service is used in the commercial activities of the employer, partnership, charity or public institution.

<p>Example</p> <p>Daniel incurs expenses of \$574.88 exclusively in the course of his commercial activities (\$500 plus \$25 GST³ and \$49.88 QST). His employer reimburses him for the expenses incurred.</p>	
<p>The employer may claim an ITC equal to the lesser of the following amounts:</p> $25 \times \frac{\$574.88}{\$574.88} = \$25$ <p>or $25 \times 100\% = \\$25$</p> <p>The employer may therefore claim an ITC of \$25.</p>	<p>The employer may also claim an ITR equal to the lesser of the following amounts:</p> $49.88 \times \frac{\$574.88}{\$574.88} = \$49.88$ <p>or $49.88 \times 100\% = \\$49.88$</p> <p>The employer may therefore claim an ITR of \$49.88.</p>

The method chosen must be applied across the board. In most cases, registrants must also take into account the restrictions on meal and entertainment expenses. Registrants that opt for the second method above must have in their possession the documents and information necessary to claim the ITC or ITR. Where registrants opt for the first method above, the requirements for documents and information are less strict; however, they must keep adequate registers and books of account and retain certain information on each reimbursement to employees, partners or volunteers.

1. For expenses incurred after December 31, 2010, but before January 1, 2012, the fraction was 8/108. Prior to that, the fraction was 7/107.

2. For expenses incurred after December 31, 2010, but before January 1, 2012, the rate was 4.5%. Prior to that, the rate was 4.1%.

3. In this example, GST does not mean the HST.

Either of the methods of calculation described under “Meal and entertainment expenses” on page 82 may be used to calculate ITCs and ITRs with respect to meals and entertainment.

Please note that the HST rates may apply if

- all or substantially all of the transactions for which you provided an allowance or reimbursement were carried out in a participating province; or
- the transactions were carried out in order to use a motor vehicle in a participating province.

For more information, contact Revenu Québec (see the contact information on the back of this booklet).

GST and QST rebates payable to employees and partners

In some cases, employees or partners may not receive a reasonable allowance or a reimbursement to cover all the expenses they incur. They may also be required to report an allowance as income. In either of these situations, employees or partners may recover the GST they paid on expenses incurred in the course of their employment or partnership activities. The rebate is available to employees of registrant employers and partners in registrant partnerships even if the employees or partners deduct the employment or partnership expenses in their income tax return.

The rebate, which is equal to 5/105 of the allowable expenses, must be claimed using form GST370, *Employee and Partner GST/HST Rebate Application*. The form must be filed within four years after the end of the year to which the expenses apply. Allowable expenses include travel expenses and meal expenses.

Under the QST system, employees and partners may also be entitled to a rebate of the QST corresponding to 9.5/109.5¹ of the allowable expenses incurred. The rebate must be claimed using form VD-358-V, *Québec Sales Tax Rebate for Employees and Partners*.

1. The fraction was 8.5/108.5 from January 1 to December 31, 2011. Prior to that, the fraction was 7.5/107.5.



Meal and entertainment expenses

Registrants may claim ITCs and ITRs to recover the GST and QST paid on meal and entertainment expenses. The calculation of ITCs and ITRs in respect of such expenses is subject to the restrictions set forth in the *Income Tax Act* and the *Taxation Act*.

Meal and entertainment expenses are generally 50% deductible; accordingly, ITCs and ITRs may be claimed in respect of half of the GST and QST paid on such expenses. You may choose one of the following calculation methods to account for the 50% adjustment.

- You may claim 100% of the GST and QST paid on meal and entertainment expenses incurred in a given fiscal year. If you file annual returns, you must add 50% of the ITC and ITR claimed as an adjustment to the calculation of your net tax payable for the fiscal year. If you file monthly or quarterly returns, you must add 50% of the ITC and ITR claimed in the calculation of your net tax payable for the first reporting period immediately after the end of the fiscal year.
- You may claim 50% of the GST and QST actually paid on meal and entertainment expenses during your reporting period. If you opt for this method, you do not have to make a 50% adjustment at the end of the fiscal year.

You may claim ITCs and ITRs for the GST and QST you reimbursed to employees or partners regarding meal and entertainment expenses they incurred in Canada. However, these expenses are subject to a limit of 50%.

No ITRs may be claimed in respect of expenses exceeding the limits in the table below.

Sales	Limit
\$32,500 or less	2% of sales
More than \$32,500 but less than \$52,000	\$650
\$52,000 or more	1.25% of sales

Special rules apply to ITCs and ITRs claimed respecting meal expenses of truck drivers.

Registrant public institutions and charities may claim ITCs and ITRs to recover all of the GST and QST paid on meals and entertainment related to their commercial activities.

Refund of the GST on printed books

Certain persons are entitled to a full refund of the GST they pay on the purchase of printed books, audio recordings of printed books, and printed versions of the scriptures of any religion, provided these documents are not purchased for resale.

The persons that qualify for the GST refund on printed books are municipalities; school authorities; universities and public colleges; charities, public institutions and qualifying NPOs that operate a public lending library; and prescribed charities and NPOs whose primary purpose (more than 50%) is the promotion of literacy. (Entities whose primary purpose is the promotion of literacy must apply to the CRA in order to be considered “prescribed.”)

The refund must be claimed by indicating an amount separately on line 307 of form FPZ-66-V, *GST/HST Rebate Application for Public Service Bodies*. A refund application must be filed within four years following the end of the reporting period during which the GST became payable.

There is no such refund under the QST system because printed books are zero-rated for QST purposes.





KEEPING REGISTERS AND BOOKS OF ACCOUNT

As soon as you are required to register for the GST and the QST, you must begin keeping track of the GST and QST you collect as a supplier, and of the GST and QST you pay on purchases made in the course of your commercial activities.

If you carry on a business, or are required to deduct, withhold or collect an amount under a fiscal law, you must keep adequate registers and books of account, including an annual inventory. Your registers and books of account must show the amounts of GST and QST that you charged and the amounts that you paid or are required to pay. This will enable you to determine the amount of your remittance or refund when you file your returns, and will assist Revenu Québec in its audits.

You are required to keep all supporting documents respecting the information contained in your registers and books of account. Invoices must indicate your supplier's name or business name, the billing date and any other information required to justify your claims for ITCs and ITRs (refer to the table on page 17). All documents must be kept at your place of business, your residence, or any other place designated by Revenu Québec.

Registers, books of account and supporting documents may be on paper, electronic media or microfilm. However, your documents must meet certain standards. For more information, contact Revenu Québec (see the contact information on the back of this booklet).

For auditing purposes, you must generally keep registers and books of account for six years after the end of the last year to which they apply, or longer if you have filed a notice of objection or if you are involved in litigation with Revenu Québec. Failure to comply with this requirement is a penal offence, unless you have obtained written authorization from Revenu Québec to dispose of documents before the date prescribed by law.



REVENU QUÉBEC AUDITS

Your business may be subject to a tax audit in order to

- ensure that it has complied with its fiscal obligations under the laws administered by Revenu Québec;
- provide you with the information you need in order for your business to comply with its fiscal obligations;
- make any necessary adjustments, including refunds.

Revenu Québec routinely conducts audits at business premises. The auditor will call you to fix a date for the audit. Audits are generally conducted at your business's main establishment, and the scope and duration of the audit depend on such factors as the size of the business, the reliability of the accounting system, the documents available, and the speed with which you provide the requested information to the auditor.

Audits are sometimes conducted at the offices of Revenu Québec. In this case, the auditor may request that you submit the necessary documents to carry out the audit.

A duly authorized employee of Revenu Québec may, at any reasonable time, enter the premises where a business is operated, property is kept, commercial activities are carried on, or registers and books of account are (or should be) kept, but may not enter a residence without the consent of the occupant. The employee may examine the registers, books of account, supporting documents, letters and any other document pertaining to

- information that is (or should be) contained in the registers and books of account;
- amounts that must be paid, deducted, withheld or collected under a fiscal law.

The Revenu Québec employee may also require any person connected with the business (including the owner or manager of the business or of the premises on which the business's property is kept, or any other person present on the premises) to provide all reasonable assistance necessary to carry out the audit. Moreover, the employee may oblige the owner or manager to accompany him or her on the premises. If asked, the employee must state his or her name and present the document attesting that he or she is duly authorized by Revenu Québec.



ELECTIONS AND APPLICATIONS CONCERNING THE ADMINISTRATION OF THE GST AND QST

Businesses and organizations can simplify administration of the GST and QST by making various elections or applications, depending on the type of activity they carry on. To make an election or application, you must meet certain conditions and complete the required form (where applicable).

Elections concerning the administration of the GST and QST

Once you make an election, it remains in effect

- as long as you meet the requirements;
- until you cancel it; or
- until you make another election.

As a rule, an election must remain in force for a minimum of one year before it can be cancelled.

In certain cases, you are not required to inform Revenu Québec of your election with respect to a given situation. However, you must keep in your registers and books of account a copy of the duly completed election form, or a statement containing certain prescribed information.

Applications concerning the administration of the GST and QST

You cannot begin to use the method of administration you chose until you receive a notice from Revenu Québec certifying that your application has been accepted.

List of elections and applications

Listed below are the titles and numbers of the forms for making elections and applications. You can print the forms from the Revenu Québec website at www.revenuquebec.ca, order them online, or order them by telephone at one of the numbers listed on the back of this booklet.

Certain elections and applications are available to **most registrants** and, unless otherwise indicated, must be filed with Revenu Québec:

- *Election or Revocation of an Election Respecting a GST/HST and QST Fiscal Year* (FP-670-V). This election must be made at the time of registration or by the effective date of the election or revocation of the election.
- *Election Respecting the GST/HST and QST Reporting Period* (FP-620-V). This election can be made at the time of registration.
- *Notification of Fiscal Quarters and Fiscal Months and Application for Approval to Extend or Shorten Fiscal Months* (FP-671-V)
- *Application to File Separate Returns – Request to File Separate Rebate Applications – Revocation of Application or Request* (FP-2010-V). This application enables businesses that carry on commercial activities in more than one branch or division to file a separate return for each of them.
- Application for designated reporting periods.¹ This application can be made at the time of registration.
- *Election Respecting the Acquisition of a Business or Part of a Business* (FP-2044-V)
- *Election to Treat a Sale of Real Property (an Immovable) as a Taxable Sale* (FP-2022-V)
- *Request for Cancellation or Variation of Registration* (LM-1.A-V)
- *Election or Revocation of Election Respecting the Quick Method of Accounting* (FP-2074-V). This election can be made at the time of registration.
- *Election or Revocation of an Election Made Jointly by a Principal and an Agent or Auctioneer* (FP-2506-V)²
- *Joint Venture Election: Election to Have the Operator of a Joint Venture Account for GST and QST* (FP-621-V)²
- *Election by an Institution to Have the Supply of Its Courses, Examinations and Certificates Deemed Taxable* (FP-2029-V)²
- *Election Respecting the Use of an Aircraft or Passenger Vehicle in Non-Commercial Activities* (FP-30-V)² for GST purposes; *Election Respecting the Use of a Passenger Vehicle or an Aircraft in Non-Commercial Activities* (VD-293-V)² for QST purposes.
- Application to use the alternate collection method¹
- Joint application to use the alternate collection method¹
- Application for approval to use the network sellers method for a network reseller¹

1. This application must be submitted in the form of a letter.

2. Do not file this election or application with Revenu Québec. However, the election or application must be kept in the records of the person concerned.



- Application for designation of a buying group¹
- Application for designation of a barter exchange network¹
- *Declaration of a Transaction Between Related Individuals with Regard to a Road Vehicle Registered in Québec* (VD-80.1-V). This application is to be used by an individual in order to avoid having to pay the QST on a vehicle supplied by way of gift to another related individual. As a rule, the GST² does not apply in such cases. The form must be filed with the Société de l'assurance automobile du Québec at the time registration is transferred.
- *Election to Defer Payment of the Tax on the Self-Supply of a Residential Complex* (VD-224.1-V). This election is available only under the QST system.
- *Election Concerning the Provision of a Residence or Lodging at a Remote Work Site* (GST17)³.

The following elections and applications are available to **public sector bodies** (that is, governments and public service bodies) and, unless otherwise indicated, must be filed with Revenu Québec:

- *Application by a Public Service Body to Have Branches or Divisions Designated as Small-Supplier Divisions* (FP-631-V)
- *Application to File Separate Returns – Request to File Separate Rebate Applications – Revocation of Application or Request* (FP-2010-V). This application enables public service bodies that carry on commercial activities in more than one branch or division to file a separate rebate application for each of them.
- *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting* (FP-2287-V).
- *Election or Revocation of an Election Not to Use the Net Tax Calculation for Charities* (FP-2488-V)
- *Election by a Public Sector Body to Have Exempt Memberships Treated as Taxable Supplies* (FP-623-V)³
- *Election to Tax Memberships in a Professional Organization* (FP-2018-V).³ This election enables a professional organization to have its otherwise tax-exempt memberships treated as taxable.
- *Election or Revocation of the Election by a Public Service Body to Have an Exempt Supply of Real Property (an Immovable) Treated as a Taxable Supply* (FP-2626-V)
- *Application by an Unincorporated Organization to Be Considered a Branch of Another Unincorporated Organization* (FP-632-V)

1. This application must be submitted in the form of a letter.

2. In this paragraph, GST does not mean the HST.

3. Do not file this election or application with Revenu Québec. However, the election or application must be kept in the records of the person concerned.

The following elections and applications are available to **corporations** and **financial institutions** only and, unless otherwise indicated, must be filed with Revenu Québec:

- *Election for Nil Consideration (FP-25-V)*¹ for the GST. This election is also available under the QST system, but there is no form to be filed.
- *Application to Offset the GST/HST by a GST/HST Refund or Rebate (FP-303-V)* for GST purposes; *Application to Offset the QST by a QST Refund or Rebate (VD-442.S-V)* for QST purposes.
- *Election or Notice of Revocation of the Election to Deem Supplies Made Between Members of a Closely Related Group, of Which a Listed Financial Institution Is a Member, to Be Supplies of Financial Services (FP-27-V)*. This election is not available under the QST system.

It is not necessary to file a form for certain elections and applications including the following:

- simplified method for calculating ITCs and ITRs
- simplified method for calculating rebates
- election to use the part of a patronage dividend that is attributable to taxable property and services for purposes of GST adjustments
- election not to use a patronage dividend for purposes of price adjustments
- election concerning the sale of the business property of a deceased person.



1. Do not file this election or application with Revenu Québec. However, the election or application must be kept in the records of the person concerned.



Description of general applications and elections

The most frequent applications and elections for which a form must be completed and, unless otherwise indicated, filed with Revenu Québec are described below.

- *Election or Revocation of an Election Respecting a GST/HST and QST Fiscal Year (FP-670-V)*

Registrants may elect to have their fiscal year for GST and QST purposes correspond to the calendar year (even if their taxation year does not correspond to the calendar year). Likewise, an individual may elect to have his or her fiscal year for GST and QST purposes correspond to the fiscal period used for income tax purposes. This election can be made at the time of registration.

- *Election Respecting the GST/HST and QST Reporting Period (FP-620-V)*

Registrants may change the frequency (assigned by Revenu Québec or chosen upon registration) with which they file their returns. A registrant (including all branches and divisions) will have the same reporting periods for GST and QST purposes.

- *Application to File Separate Returns – Request to File Separate Rebate Applications – Revocation of Application or Request (FP-2010-V)*

A registrant may file separate returns for each of its branches or divisions. An application to file separate returns is generally accepted if each branch or division is separately identifiable by its location or by the nature of its activities. Moreover, each branch or division must keep separate records and books of account, and have different accounting systems. The same requirements must be met to file separate rebate applications.

- *Election or Revocation of Election Respecting the Quick Method of Accounting (FP-2074-V)*

Small businesses may elect to use the Quick Method of Accounting to calculate the GST¹ and QST they must remit. They may use this method if the annual total of their worldwide taxable sales does not exceed \$200,000 (GST included) under the GST system and \$217,000 (GST and QST included) under the QST system.

For more information, refer to “The Quick Method for calculating GST and QST remittances” on page 33.

- *Election Respecting the Acquisition of a Business or Part of a Business (FP-2044-V)*

When you sell a business (or part of a business) to a person and the person acquires, at the time of the sale, all or substantially all of the property that is considered necessary to the operation of the business (or part of the business), you and the person may jointly elect not to charge GST or QST on the sale of the property. However, to make this election, the person acquiring the property must also be registered for the GST and the QST.

1. In this paragraph, GST does not mean the HST.

- *Request for Cancellation or Variation of Registration (LM-1.A-V)*

Persons who have ceased to operate one of their businesses may use this form to apply to have their registration modified. It may also be used to cancel registration by persons who no longer carry on commercial activities, as well as by small suppliers who intend to continue carrying on their business. However, applicants seeking to modify or cancel their registration must meet all the necessary requirements.

For more information, refer to “Cancelling your registration” on page 93.

- *Joint Venture Election: Election to Have the Operator of a Joint Venture Account for GST and QST (FP-621-V)*

A registrant that, by virtue of a written agreement with other participants, takes part in a joint venture (other than a partnership) involved in such activities as the exploration or development of mineral deposits may jointly elect, with the other participants, to account for all GST and QST collected during their joint commercial activities.

All of the participants in the joint venture are jointly and severally liable for all obligations pertaining to the GST and QST collected during the activities carried out on their behalf by their representative.

You do not have to file this form. Simply complete it and keep it on file for auditing purposes.

- *Election for Nil Consideration (FP-25-V)* for the GST. This election is also available under the QST system, but there is no form to be filed.

Where two or more registrants are members of a group of closely related corporations and are engaged exclusively (90% or more) in making taxable sales, they may jointly elect to have taxable sales made to each other deemed to have been made for nil consideration.

This election does not apply to taxable sales of real property or to purchases made for non-commercial purposes. Nor does it apply, for QST purposes, to

- property that is used to replace other property, or property or services that are acquired by a registered insurer by way of a settlement of an insurance claim;
- property or a non-financial service that is sold to a registrant, where the registrant acquires the property or the non-financial service for the purpose of supplying it with a financial service so that the consumer can avoid paying the taxes.

You do not have to file this form. Simply complete it and keep it on file for auditing purposes.



RECOURSE

If you believe that the amounts shown on a notice from Revenu Québec are incorrect, or if for other reasons you are dissatisfied with the services of Revenu Québec, various means of recourse are available to obtain an explanation or to voice your disagreement.

The first step is to call or visit Revenu Québec. Staff members are available to help you solve your problem. The vast majority of cases are settled at this stage.

If the process described above fails to provide a satisfactory solution, you may wish to proceed with legal recourse. There are two types of legal recourse: objection and appeal. If you decide to take legal recourse, you must act within certain deadlines and follow the prescribed procedure. For more information, refer to the brochure *Recourse for Your Tax-Related Problems* (IN-106-V).

Still another means of recourse is available to registrants: You may file a complaint with the Direction du traitement des plaintes (DTP). DTP staff ensure that the complaints submitted receive proper attention from Revenu Québec authorities. If you wish to file a complaint, you must submit your problem in writing to the following address:

Revenu Québec
3800, rue de Marly
Québec (Québec) G1X 4A5

You can also call the DTP at 418 652-6159 or, toll-free, at 1 800 827-6159.

Please note that filing a complaint with the DTP is not a substitute for the other means of recourse available to you, and neither extends nor suspends the prescribed deadlines for the other means. Consequently, if you wish to file an objection or an appeal, you must do so within the prescribed time limit regardless of whether you have filed a complaint with the DTP.

Finally, if you believe that you have been treated unfairly, you may contact the Québec Ombudsman, which is authorized to investigate all complaints respecting the activities of the public administration.

CANCELLING YOUR REGISTRATION

Revenu Québec may cancel your registration for the GST and the QST if it has determined that registration is no longer necessary. However, prior to cancellation, Revenu Québec must send you a written notice specifying the date on which cancellation becomes effective. The following are some of the situations in which registration may be cancelled:

- The registrant is a small supplier.
- An individual or an organization that is not a corporation ceases to carry on commercial activities, or sells the business. The registered entity therefore ceases to exist.
- An individual dies.
- A partnership is dissolved.
- An organization that is a legal person ceases to exist.
- A person's legal status changes.
- A person ceases to come to Canada (or to Québec, for QST purposes) to sell taxable admissions.
- A person ceases to carry on a commercial activity in Canada (or in Québec, for QST purposes). For example, a person may cease to make taxable sales, but continue to carry on a business to make exempt sales.

You must inform Revenu Québec of any other circumstances that would require your registration to be cancelled or varied.

You must request cancellation of your registration using form LM-1.A-V, *Request for Cancellation or Variation of Registration*. As a rule, cancellation of registration for the GST and the QST must be requested at the same time. In most cases, cancellation may come into effect as of the day on which registration is no longer necessary. If you are a small supplier, cancellation may take effect at any time, provided you have been registered for at least one year on the date on which cancellation of registration comes into effect.

The following small suppliers may not cancel their registration:

- taxi drivers (GST and QST)
- non-resident performers who collect admissions in Canada (GST and QST)
- retail vendors of tobacco products (QST only)
- retail vendors of fuel (QST only)
- vendors of alcoholic beverages (QST only)
- vendors of new tires (QST only)
- vendors of road vehicles (QST only)



A person that ceases to be a registrant is deemed to have sold all property intended for consumption, use or sale in the course of commercial activities that was in the person's possession at the time of cancellation. However, different rules apply in the case of capital property, non-capital property, and rental services and property.

In the case of capital property, the person is deemed to have ceased to use the property in the course of commercial activities immediately before cancellation of registration and to have sold the property and collected the GST and QST. As a rule, the taxes for each property must be calculated by carrying out the following operations:

- Determine the GST and the QST that were paid on the property the last time it was acquired or imported.
- Add the GST and the QST that were paid on improvements made to the property.
- Where applicable, deduct any amounts (excluding ITCs or ITRs) recovered through a refund or rebate or in any other way.
- Multiply the result of the preceding operations by the result of the following calculation: the FMV of the property, divided by the consideration paid at the time of its acquisition plus the consideration paid for any improvements. (Note that this fraction cannot be greater than 1.)

Example

In December 2008, a registrant bought office furniture at a cost of \$5,000, plus \$250 GST¹ and \$393.75² QST. As the furniture is used for commercial activities, the registrant may claim an ITC and an ITR on the taxes paid.

On September 30, 2010, registration is cancelled. The registrant still owns the furniture and is therefore considered to have sold the furniture and collected the taxes immediately before cancellation of registration. On that date, the furniture's FMV is \$2,500 for GST purposes and \$2,625 (\$2,500 plus \$125 GST) for QST purposes.

Calculation of taxes to be remitted		GST		QST
Tax paid at time of acquisition		\$250.00		\$393.75
Tax paid on improvements	+	\$0.00	+	\$0.00
Refund or rebate	-	\$0.00	-	\$0.00
Total		\$250.00		\$393.75
FMV ÷ consideration for property and improvements: \$2,500/(\$5,000 + \$0.00)	x	0.50		
\$2,625/(\$5,250 ³ + \$0.00)			x	0.50
Taxes to be remitted		\$125.00		\$196.88

These amounts of tax must be reported in the calculation of the net tax payable for the registrant's last reporting period.

1. In this example, GST does not mean the HST.

2. The QST rate was 7.5% at that time.

3. The consideration includes GST for QST purposes.

In the case of non-capital property, the person is deemed to have sold the property for a price equal to its FMV immediately before cancellation of registration and to have collected the GST and QST calculated on the FMV. The FMV includes GST¹ for QST purposes.

Example

A person ceases to be a registrant on April 30, 2010, and has an inventory of unsold computers with an FMV of \$8,000 for GST purposes and \$8,400 for QST purposes. GST and QST calculated on the FMV must therefore be included in the net tax payable for the person's last reporting period as a registrant. The amount of the GST is \$400 ($\$8,000 \times 5\%$); the amount of the QST is \$630 ($\$8,400 \times 7.5\%$).

Where a service is being rendered or property is being leased over a period that extends beyond the date when you cease to be a registrant, you are entitled to an ITC and an ITR solely for the period during which you were a registrant. The amount of the taxes must be prorated.

Example

On April 15, 2010, a person receives the invoice for advertising services covering the period from April 15 through May 14, 2010. The cost of these services is \$170, to which \$8.50 GST and \$13.39 QST² must be added. The person may claim an ITC and an ITR on the taxes paid.

On May 1, 2010, the person ceases to be a registrant. Consequently, the person must add, to the net tax payable, the ITC and the ITR claimed for the period after cancellation of registration. The amount of the GST is \$3.97 ($\$8.50 \times 14/30$). The amount of the QST is \$6.25 ($\$13.39 \times 14/30$).



1. In this paragraph and in the following two examples, GST does not mean the HST.
2. The QST rate was 7.5% at that time.



SERVICES OFFERED BY REVENU QUÉBEC

Online services

Revenu Québec's website provides a wealth of information about the Québec tax system and Revenu Québec itself, and allows you to consult the various guides, brochures and forms you may need for tax purposes. We invite you to consult the site at www.revenuquebec.ca.

You can use Revenu Québec's online services to fulfil your tax obligations simply and efficiently. You can consult your tax file (returns, payments, refunds and statements of account) directly onscreen, and file your returns and make your payments online.

Client services

You can obtain information and answers to your questions, or have corrections made to your file, by telephone, mail or in person. See Revenu Québec's contact information on the back of this booklet and on the Revenu Québec website.

Business hours for client services		
By telephone		
All offices	Monday, Tuesday, Thursday and Friday Wednesday	8:30 a.m. to 4:30 p.m. 10 a.m. to 4:30 p.m.
In person		
Complexe Desjardins	Monday, Tuesday, Thursday and Friday Wednesday	8:30 a.m. to 4:30 p.m. 10 a.m. to 4:30 p.m.
Other offices	Monday through Friday	10 a.m. to 4:30 p.m.

GST and QST publications

GST and QST brochures

No matter what your questions concerning consumption taxes are, you can find the answers in the documents published by Revenu Québec. You can consult them on Revenu Québec's website at www.revenuquebec.ca, or order them online or by telephone at one of the numbers reserved for inquiries concerning consumption taxes. The numbers are listed on the back of this booklet.

The following are some of the publications available:

- *The QST and the GST/HST: How They Apply to Foods and Beverages* (IN-216-V)
- *The QST, the GST/HST and Road Vehicles* (IN-624-V)
- *The QST and the GST/HST: How They Apply to Non-Profit Organizations* (IN-229-V)
- *The QST and the GST/HST: How They Apply to Charities* (IN-228-V)
- *Tax on Lodging* (IN-260-V)
- *QST, GST/HST and Fuel Tax: How They Apply to Freight Carriers* (IN-218-V)
- *An Overview of the Fuel Tax Act* (IN-222-V)
- *An Overview of the Tobacco Tax Act* (IN-219-V)
- *Flea Markets* (IN-255-V)
- *The QST and the GST/HST: How They Apply to Medical Devices and Drugs* (IN-211-V)
- *The QST and the GST/HST: How They Apply to Residential Complexes (construction or renovation)* (IN-261-V)
- *Promoting Healthy Competition in the Clothing Industry* (IN-262-V)
- *Consumption Taxes and Producers of Alcoholic Beverages* (IN-263-V)
- *Directors' Liabilities* (IN-107-V)



Tax News

Tax News is a collection of articles that highlights certain changes and details regarding the administration of tax laws. You can access the entire collection only on our website at www.revenuquebec.ca. Simply click **Information centre** on our home page.

For the most part, **Tax News** coverage focuses on the GST and QST, other consumption taxes and income tax payable by individuals and corporations. Information from *Excise and GST/HST News* (the quarterly newsletter published by the CRA) is included (and adapted to take the QST into account).

You can subscribe to the **Tax News** RSS feed which provides access to articles as soon as they are published. Otherwise, you can subscribe to the **Tax News** mailing list. Once you have signed up, you will receive a monthly email indicating the new articles published for that month.

GST brochures and folders

Revenu Québec distributes CRA publications that are designed to help you understand the application of the GST.

Other QST-related documents

More detailed information is provided in the interpretation bulletins pertaining to the *Act respecting the Québec sales tax* and other legislation administered by Revenu Québec. These documents are sold by Les Publications du Québec at www.publicationsduquebec.gouv.qc.ca.

Other GST-related documents

More detailed information is provided in GST memoranda and technical information bulletins. These documents are available on the CRA's website at www.cra-arc.gc.ca.

TO CONTACT US

Online

www.revenuquebec.ca

By telephone

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.
Wednesday: 10:00 a.m. to 4:30 p.m.

Individuals and individuals in business

Québec City 418 659-6299	Montréal 514 864-6299	Elsewhere 1 800 267-6299 (toll-free)
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Businesses, employers and agents for consumption taxes

Québec City 418 659-4692	Montréal 514 873-4692	Elsewhere 1 800 567-4692 (toll-free)
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Persons with a hearing impairment

Montréal 514 873-4455	Elsewhere 1 800 361-3795 (toll-free)
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By mail

Individuals and individuals in business

Montréal, Laval, Laurentides, Lanaudière and Montérégie

Direction principale des services
à la clientèle des particuliers
Revenu Québec
C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

Québec City and other regions

Direction principale des services
à la clientèle des particuliers
Revenu Québec
3800, rue de Marly
Québec (Québec) G1X 4A5

Businesses, employers and agents for consumption taxes

Montréal, Laval, Laurentides, Lanaudière, Montérégie, Estrie and Outaouais

Direction principale des relations
avec la clientèle des entreprises
Revenu Québec
C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

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