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# QST, GST/HST AND FUEL TAX: HOW THEY APPLY TO FREIGHT CARRIERS

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**AS A FREIGHT CARRIER OR  
BROKER DRIVER, YOU COLLECT  
AMOUNTS OF QST, GST/HST AND  
FUEL TAX — KEY SOURCES OF  
REVENUE FOR QUÉBEC SOCIETY  
— THAT ARE REINVESTED IN  
OUR SOCIAL PROGRAMS.**

This brochure is designed to help you apply those taxes.

This document was prepared in collaboration with the Canada Revenue Agency.



Canada Revenue Agency    Agence du revenu  
du Canada

This publication is provided for information purposes only. It does not constitute a legal interpretation of the *Excise Tax Act*, the *Act respecting the Québec sales tax*, the *Fuel Tax Act* or any other legislation.

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## FOREWORD

This brochure is intended for freight carriers, including broker drivers, and deals with certain details respecting the administration of the GST/HST, the QST and the fuel tax.

Québec's participation in the International Fuel Tax Agreement (IFTA), as well as restrictions pertaining to input tax refunds (ITRs) for large businesses, have affected the administrative procedures freight carriers must follow with respect to the QST and the fuel tax. This is of particular importance to motor carriers providing interprovincial or international transportation services.

For further information about the GST/HST and the QST, refer to the brochure *General Information Concerning the QST and the GST/HST* (IN-203-V).

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### ABBREVIATIONS USED IN THIS BROCHURE

<b>GST</b>	Goods and services tax
<b>HST</b>	Harmonized sales tax
<b>IFTA</b>	International Fuel Tax Agreement
<b>ITC</b>	Input tax credit
<b>ITR</b>	Input tax refund
<b>QST</b>	Québec sales tax
<b>SMB</b>	Small and medium-sized business

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## GST/HST AND QST: GENERAL RULES

GST<sup>1</sup> and QST are collected when supplies of most property and services are made. 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 9.975%<sup>2</sup> QST calculated on the sale price. Certain goods, such as basic groceries and prescription drugs, are zero-rated (that is, subject to GST and QST at the rate of 0%). A small number of goods and services, such as health services and supplies of long-term residential rentals, are exempt from both taxes.

The HST applies in the participating provinces (in New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and British Columbia,<sup>3</sup> and in Prince Edward Island beginning April 1, 2013). In general, the rules for the GST also apply to the HST. Businesses registered for the GST are automatically registered for the HST. They must collect and remit HST on all taxable sales<sup>4</sup> (except zero-rated sales) they make in these provinces. To find out what the applicable HST rates are in each of the participating provinces, consult our website at [www.revenuquebec.ca](http://www.revenuquebec.ca).

Businesses in Québec that are registered for the GST/HST are required to collect the HST on sales they make in the participating provinces. However, the term “HST” is not used systematically throughout this brochure. Therefore, unless stated otherwise, we have used the term “GST” to refer to the GST/HST.

Persons that carry on commercial activities (that is, persons operating a business that makes taxable or zero-rated sales) are generally required to register for both the GST and the QST. Registrants<sup>5</sup> must collect GST and QST when conducting transactions in respect of which these taxes apply (that is, all taxable sales other than zero-rated sales). However, in the case of a small supplier that has elected not to register for the GST and the QST, these taxes need not be collected, except with respect to the sale of taxable immovables.

A person is generally considered a small supplier if the total taxable sales, including zero-rated sales, made worldwide by the person and the person’s associates do not exceed \$30,000 during a particular calendar quarter and the four calendar quarters immediately preceding that quarter. This amount does not include sales of capital property (such as buildings or automobiles). Even if you are not required to register for the GST and QST, you can elect to do so if you meet certain conditions.

1. In the first two paragraphs of this page, “GST” means the GST only, not the GST/HST.

2. This rate was 9.5% from January 1 to December 31, 2012. Also, before January 1, 2013, the QST was calculated on the price including the GST.

3. Note that the HST no longer applies in British Columbia beginning April 1, 2013. However, the GST does apply in that province.

4. In this brochure, we generally use the term “sales” instead of “supplies,” since goods and services are most often supplied by way of sale.

5. “Registrants” are persons that are registered (or are required to be registered) for the GST and QST.



Registrants can recover the GST or QST paid (or payable) on property and services acquired for use in their commercial activities. This is done by claiming ITCs under the GST system and ITRs under the QST system. However, certain restrictions apply to ITRs claimed by large businesses (those whose taxable sales exceeded \$10 million<sup>1</sup> during the last fiscal period that ended before a particular fiscal period). Registrants generally apply for ITCs and ITRs when filing their GST and QST returns for the reporting period during which they made the purchases in question. However, they generally have four years in which to apply for the ITCs and ITRs to which they are entitled.

Another way of calculating ITCs and ITRs — a simplified method — has been devised for use by small businesses. Use of the simplified method does not alter the procedure for charging or collecting GST and QST, or the procedure for reporting the tax collected. It nonetheless means that small businesses do not have to calculate the exact amount of tax collected (or to be collected) or the amount of the actual expense applicable to each invoice.

Registrants must calculate the amount of tax they collected (or should have collected) during each reporting period, as well as the tax they paid (or that became payable) during the same period, in respect of which they are entitled to ITCs or ITRs. As a rule, the difference between the amount collected and the amount paid is, if positive, the net tax that registrants must remit or, if negative, the refund to which they are entitled. Small businesses may use the Quick Method of Accounting to determine the amounts of GST and QST to be paid.

In certain instances, a person registering for the GST and the QST may choose the frequency for filing the related tax returns. If the registrant does not make this choice, we will determine the registrant's filing frequency.

For further information concerning the GST/HST and the QST, refer to the brochure *General Information Concerning the QST and the GST/HST* (IN-203-V).

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1. Registrants whose total annual taxable sales exceed \$10 million and certain financial institutions that have claimed ITCs for HST paid in Ontario or British Columbia may have to remit the provincial portion of the HST paid on the purchase of certain property or services. For more information, contact us.



## FUEL TAX: GENERAL RULES

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### IFTA

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Québec's adherence to IFTA has eased the administrative burden for persons providing interprovincial or international transportation of freight or passengers, since such carriers are no longer required to file fuel tax returns in each member jurisdiction in which they operate. Instead, they are only required to submit a single return for each quarter to their base jurisdiction, along with payment of the balance due or a refund claim (as applicable). The base jurisdiction then contacts the jurisdictions concerned in order to make the necessary administrative adjustments. However, carriers must contact the competent authority for each non-member jurisdiction in which they operate in order to find out the requirements of each such jurisdiction.

Carriers subject to IFTA must apply to Revenu Québec for a licence and decals by completing form CA-500-V, *Application for a Licence and Decals: International Fuel Tax Agreement (IFTA)*. For further information about IFTA, refer to the brochure *Carriers and the International Fuel Tax Agreement (IN-231-V)*, or contact your carrier association. You may also call us at one of the following telephone numbers:

- Québec City area and long-distance calls from outside Québec: 418 652-IFTA
- Long-distance calls from within Québec (toll-free): 1 800 237-IFTA

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### Carriers based in a non-member jurisdiction

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Carriers based in a jurisdiction that is not an IFTA member must obtain a certificate for occasional trips if they operate road vehicles authorized under IFTA within Québec. To apply for a certificate, call us at 418 652-IFTA.

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### Bulk-fuel carriers

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Pursuant to the *Fuel Tax Act*, carriers that transport bulk fuel in Québec must hold a permit. To apply for a permit, complete form CA-27.1-V, *Permit Application: Fuel Tax Act*.

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### Tobacco carriers

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Pursuant to the *Tobacco Tax Act*, carriers of tobacco that is intended for sale in Québec but not identified in accordance with that Act must hold a permit. The same obligation applies to carriers of raw tobacco (that is, tobacco leaves that have not been processed beyond the drying stage and fragments of such tobacco leaves, and tobacco for use in the composition of tobacco products intended for sale). To apply for a permit, complete form TA-6.1-V, *Permit Application: Tobacco Tax Act*.



## ZERO-RATED SUPPLIES TO CARRIERS

Under the GST and QST systems, certain supplies of property and services are zero-rated when made to a carrier. The most common are described below.

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### Supplies to unregistered non-resident carriers

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Movable property and services may be zero-rated when acquired in Canada by a person that is not resident in Canada and not registered for the GST (or when acquired in Québec by a person not resident in Québec and not registered for the QST). This is the case for property and services acquired by such a person for use, consumption or supply

- in the course of transporting property or passengers, where the person is carrying on a business of transporting property or passengers to or from Canada (to or from Québec, for QST purposes) by ship, aircraft or railway. This is also the case where property or passengers transit through Canada en route between two places outside Canada (through Québec en route between two places outside Québec, for QST purposes);
- in the operation of a ship or aircraft by or on behalf of the government of a country other than Canada (by or on behalf of the government of the Northwest Territories, the Yukon Territory, Nunavut, a province other than Québec or a country other than Canada, for QST purposes); or
- in the course of operating a ship for the purpose of obtaining scientific data outside Canada (outside Québec, for QST purposes), or for the laying or repairing of oceanic telegraph cable.

The following property and services are zero-rated: fuel and supplies used in the operation of a ship, aircraft or rail service; repair and maintenance services; railway junction and switching charges; and pilotage services. Rights in respect of immovable property (real property) for which fees are charged (such as aircraft landing fees, railway right-of-way charges and warehousing fees) are also zero-rated.

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### Supplies of fuel to registered international carriers

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Supplies of fuel to a person that is a carrier are zero-rated, provided the following conditions are met:

- The person is registered at the time of the supply.
- The person carries on a business of transporting property or passengers to or from Canada (to or from Québec, for QST purposes) by ship, aircraft or railway. This is also the case where property or passengers transit through Canada en route between two places outside Canada (through Québec en route between two places outside Québec, for QST purposes).
- The person acquires the fuel for use in transporting property or passengers.



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### **Emergency repair services supplied to non-resident persons**

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Emergency repair services (including parts sold in conjunction with the service) are zero-rated where they are supplied to a person not resident in Canada (in Québec, for QST purposes) and they relate to a cargo container that is being transported or a means of conveyance that is being used by the person in the course of a business of transporting property or passengers.



## ZERO-RATED FREIGHT TRANSPORTATION SERVICES

Freight and passenger transportation services (other than municipal transportation services) supplied in Canada are subject to GST (and QST, if supplied in Québec). Even where freight transportation services are supplied in part outside Canada (outside Québec, for QST purposes), the supply is considered to be made in Canada (in Québec, for QST purposes) if both the origin and destination of the freight are in Canada (in Québec, for QST purposes). Such services are therefore subject to GST<sup>1</sup> at the rate of 5% if the destination is in Québec or another non-participating province, and to HST<sup>2</sup> if the destination is in a participating province. If both the origin and the destination of the freight are in Québec, the service is also subject to QST at the rate of 9.975%,<sup>3</sup> provided the service is not part of a continuous freight movement to a place outside Québec or from a place outside Canada.

For QST purposes, where corporeal movable property (also called “tangible personal property”) is transported from a place in Canada outside Québec to a place in Québec, the transportation service is deemed to have been supplied outside Québec. A person resident in Québec that acquires such a service must calculate and remit QST, unless the service is acquired for use exclusively in the person’s commercial activities.

International freight transportation services are zero-rated under both the GST and QST systems.

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### Definitions

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#### Continuous freight movement

The transportation of corporeal movable property (also called “tangible personal property”) by one or more carriers to a destination specified by the shipper of the property, where all the freight transportation services supplied by the carrier or carriers are supplied as a consequence of instructions given by the shipper of the property.

#### Continuous outbound freight movement

For GST purposes, the transportation of corporeal movable property (also called “tangible personal property”) by one or more carriers from a place in Canada to a place outside Canada, or to another place in Canada from which the property is to be exported. After the shipper transfers possession of the property to the carrier and before the property is exported, the property must not be further processed, transformed or altered in Canada, except to the extent reasonably necessary for its transportation.

For example, it may be necessary to freeze goods to ensure they arrive at their destination in usable condition, or to disassemble or pack items at a port to prevent in-transit damage. In each of these instances, the transformation or alteration of the goods is considered necessary for their transportation

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1. Here “GST” means the GST only, not the GST/HST.

2. To find out what the applicable HST rates are in each of the participating provinces, consult our website at [www.revenuquebec.ca](http://www.revenuquebec.ca).

3. This rate was 9.5% from January 1 to December 31, 2012. Also, before January 1, 2013, the QST was calculated on the price including the GST.



and, therefore, does not prevent the transportation service supplied in Canada from qualifying as part of a continuous outbound freight movement.

However, where a shipment of iron ore is made in Canada to a steel manufacturer that subsequently exports the steel produced from the ore, the transformation of the iron ore into steel is not necessary for its transportation. Therefore, the transportation service supplied in respect of the iron ore is subject to tax because it is not considered part of a continuous outbound freight movement.

This definition also holds under the QST system, with the following substitutions: “Québec” for “Canada” and “taken or shipped outside Québec” for “exported.”

#### **Destination** (in respect of a continuous freight movement)

A place, specified by the shipper of the property, where possession of the property is transferred from the shipper to the person to whom the property is consigned or addressed by the shipper.

#### **Freight transportation service**

A particular service of transporting corporeal movable property (also called “tangible personal property”), including a service of delivering mail, and any other property or service supplied to the recipient of the particular service by the person that supplies the particular service, where the other property or service is part of or incidental to the particular service (regardless of whether there is a separate charge for the other property or service). However, the transporting of an individual’s baggage in connection with the supply of a passenger transportation service does not constitute a freight transportation service.

Carriers that supply certain services, such as warehousing, packing or loading, along with their freight transportation service should consider such incidental services to be the same as the freight transportation service, for GST and QST purposes. In other words, incidental services are taxable or zero-rated depending on whether the supply of the freight transportation service is taxable or zero-rated, under the GST and QST systems.

#### **Origin** (in respect of a continuous freight movement)

The place where the first carrier engaged in the continuous freight movement takes possession of the property being transported.

#### **Place outside Canada**

A place outside Canada, or a place in Canada if the property has been imported but has not been released, and is being transported in compliance with the *Customs Act* or any other federal statute that prohibits, controls or regulates the importation of goods.

#### **Shipper**

A person that, at the origin of a continuous freight movement or continuous outbound freight movement, transfers to a carrier possession of the corporeal movable property (also called “tangible personal property”) being shipped. “Shipper” does not include a person that is a carrier of the property to which the freight movement relates.

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## List of zero-rated freight transportation services

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### Outbound services

Under the GST system, a freight transportation service is zero-rated when supplied in respect of goods that are transported from a place in Canada to a place outside Canada, provided the value of the consideration for the supply is \$5 or more.

Under the QST system, a freight transportation service is zero-rated when supplied in respect of property that is transported from a place in Québec to a place outside Canada, provided the value of the consideration for the supply is \$5 or more.

### Domestic outbound services

Under the GST system, a freight transportation service is zero-rated when supplied in respect of goods that are transported from a place in Canada to another place in Canada, provided the following conditions are met:

- The property is exported, and the domestic transportation service is part of a continuous outbound freight movement.
- The value of the consideration for the supply is \$5 or more.
- The shipper of the property provides the carrier with a written declaration that the property is being shipped for export and the freight transportation service is part of a continuous outbound freight movement. The shipper's declaration may be written on the bill of lading given to the first carrier, or on a separate document given to the carrier. It must contain the following information.

**Shipper's Declaration (*Excise Tax Act*, Schedule VI, Part VII, par. 7(a))**

The property is being shipped for export, and the freight transportation service to be supplied by the carrier is part of a continuous outbound freight movement of the property.

Yes  No

If no such declaration is provided, the carrier must collect GST on any part of the freight transportation service that is supplied in Canada.

Under the QST system, a freight transportation service is zero-rated when supplied in respect of property that is transported from a place in Québec to another place in Québec, provided the following conditions are met:

- The shipper remits to the carrier a completed copy of form VD-197-V, *Declaration Concerning the Transportation of Corporeal Movable Property*, as confirmation that the property is being taken or shipped outside Québec (the declaration used under the GST system may also be used under the QST system).
- The shipper confirms that the freight transportation service to be supplied by the carrier is part of a continuous freight movement out of Canada.
- The property is taken or shipped outside Québec, and the service is part of a continuous freight movement out of Québec.
- The value of the consideration for the supply is \$5 or more.



## Inbound services

Under the GST system, a freight transportation service is zero-rated when supplied in respect of goods that are transported from a place outside Canada to a place in Canada, or from a place outside Canada to another place outside Canada. This includes fully in-bond freight transportation services, as well as in-transit moves through Canada from a place outside Canada to another place outside Canada.

### Example

Goods enter Canada through the Port of Halifax, and a separate bill of lading is issued for carriage of the goods by rail to Montréal. As long as the goods are not released from customs until they reach Montréal, the carriage by rail supplied in Canada is considered to be supplied outside Canada, and is therefore zero-rated.

Under the QST system, freight transportation services are, as a rule, deemed to be supplied in Québec if the destination of the supply is located in Québec. This means that a freight transportation service is not subject to QST when supplied in respect of property that is transported from a place outside Québec to another place outside Québec (for example, from a place outside Canada to a place in Canada, outside Québec).

However, a freight transportation service is deemed to be supplied outside Québec when supplied in respect of property that is transported from a place in Canada (outside Québec) to a place in Québec. This service is therefore not subject to QST. A freight transportation service is zero-rated when supplied in respect of property that is transported from a place outside Canada to a place in Québec.

## Domestic inbound services

Under the GST system, a freight transportation service is zero-rated when supplied in respect of goods that are transported from a place in Canada to another place in Canada, provided the service is supplied as a consequence of the shipper's instructions and is part of a continuous freight movement from an origin outside Canada to a destination in Canada. However, the carrier that supplies this freight transportation service in Canada must hold documentary evidence that the service is part of a continuous freight movement from an origin outside Canada to a destination in Canada in order for the service to be zero-rated.

### Example

A shipment arrives in Montréal from London, England, under an original bill of lading on which the shipper has specified that the destination of the goods is Toronto. A carrier engaged under a separate contract to deliver the goods to the consignee in Toronto may zero-rate the freight transportation service supplied in Canada, provided the carrier has a copy of the original bill of lading (or other documentary evidence satisfactory to Revenu Québec), certifying that the service is part of a continuous freight movement from an origin outside Canada to a destination in Canada.

Under the QST system, a freight transportation service is zero-rated when supplied in respect of property that is transported from a place in Canada to a place in Québec, provided the service is supplied as a consequence of the shipper's instructions (documentary evidence to that effect is required) and is part of a continuous freight movement from an origin outside Canada to a destination in Québec. A freight transportation service between a place in Québec and another place in Québec is deemed to be supplied outside Québec if the service is part of a continuous freight movement from an origin in Canada (outside Québec) to a destination in Québec. A person resident in Québec that acquires such a service must collect and remit QST, unless the service is acquired for use exclusively in the person's commercial activities.

The following table shows how to apply the GST and the QST on the basis of the origin and destination of freight. As explained above, the transportation of freight from a place in Canada (Québec, for QST purposes) to another place in Canada (Québec, for QST purposes) may be zero-rated if the service is part of a continuous freight movement.

<b>Origin</b>	<b>Destination</b>	<b>GST<sup>1</sup> or HST</b>	<b>QST</b>
Québec	Québec	Taxable (GST)	Taxable
Canada (outside Québec)	Québec	Taxable (GST)	Not applicable <sup>2</sup>
Outside Canada	Québec	Zero-rated	Zero-rated
Québec	Canada (outside Québec in a participating province)	Taxable (HST)	Not applicable
Québec	Canada (outside Québec in a non-participating province)	Taxable (GST)	Not applicable
Canada (outside Québec)	Canada (outside Québec in a participating province)	Taxable (HST)	Not applicable
Canada (outside Québec)	Canada (outside Québec in a non-participating province)	Taxable (GST)	Not applicable
Outside Canada	Canada (outside Québec)	Zero-rated	Not applicable
Québec	Outside Canada	Zero-rated (if ≥ \$5)	Zero-rated (if ≥ \$5)
Canada (outside Québec)	Outside Canada	Zero-rated (if ≥ \$5)	Not applicable
Outside Canada	Outside Canada	Zero-rated	Not applicable

1. In this table "GST" means the GST only, not the GST/HST

2. The service is deemed to be supplied outside Québec. However, where the service is not acquired for consumption, use or sale exclusively in the person's commercial activities, the person acquiring the service (if resident in Québec) must collect and remit QST.



### **Interline freight settlements**

Sometimes a number of carriers are involved in the supply of a freight transportation service that is part of a continuous freight movement from the premises of the shipper to those of the consignee. This process is called interlining.

The nature of contractual relationships between carriers may vary. In some cases, an interline carrier works under subcontract to another carrier. In other cases, interline carriers have an implied contract with the shipper or consignee.

The resulting interline freight settlements, whether in respect of domestic or international transportation, are considered payments for the freight transportation services supplied to each other and are therefore zero-rated. Only the carrier that bills the freight transportation service to the shipper or consignee is required to charge and collect GST and QST. Any disbursements to other carriers involved in the transportation of the goods (interline carriers) are zero-rated.

### **International freight forwarders**

Freight-forwarding services are zero-rated where the forwarder acts as the agent of a person that is not resident in Canada (in Québec, for QST purposes) and not registered at the time the service is supplied. However, the service must relate to the supply to that non-resident person of a zero-rated freight transportation service described above (other than those described under "Interline freight settlements").





## QST RULES

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### ITR restrictions for large businesses

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Every business registered for the QST must determine whether it is an SMB (a small or medium-sized business) or a large business. A registrant is generally considered to be a large business for a particular fiscal period if the value of the taxable sales made in Canada by the registrant and the registrant's associates exceeded \$10 million during the last fiscal period that ended before the particular fiscal period. If the last fiscal period is less than 365 days long, the value of the taxable sales for the last fiscal period must be adjusted on the basis of a one-year period.

The value of the taxable sales made in Canada includes the value of the following:

- all exports;
- taxable sales deemed to have been made outside Canada; and
- taxable sales deemed to have been made for nil consideration.

However, the value of the taxable sales made in Canada does not include

- GST; or
- amounts from the sale of immovables that are capital property; or
- amounts from the sale of the goodwill of a business where the sale is not subject to QST.

SMBs may claim an ITR with respect to most property and services acquired for their commercial activities.

The following property and services do not give entitlement to an ITR when acquired by a large business:

- road vehicles weighing less than 3,000 kilograms that must be registered under the *Highway Safety Code* to be driven on public roads;
- the property and services relating to such vehicles, where the property or services are acquired in Québec (or brought into Québec) within 12 months following the date on which the vehicle is acquired 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 movable property intended for sale;
- telephone services and other telecommunications services, **with the exception** of Internet access service and "1 800," "1 888," and similar services; or
- food, beverages and entertainment that are only 50% deductible under the *Taxation Act*.



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## Acquisition of road vehicles weighing 3,000 kilograms or more

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Interprovincial and international freight transportation carriers must pay QST when they acquire in Québec a road vehicle weighing 3,000 kilograms or more. Registrants in this case are generally entitled to an ITR.

This rule applies to all interprovincial carriers, irrespective of the number of vehicles used for road transport; it also applies to broker drivers hired by an interprovincial motor carrier, irrespective of the latter's status. This rule also applies to such vehicles when they are leased by an interprovincial carrier for a period of more than 30 days.

However, under the Interprovincial Sales Tax Arrangement, interprovincial carriers must remit the taxes that are payable to the other provinces in which they provide services. These taxes are prorated based on the number of kilometres travelled in each province.

Carriers may calculate and remit the taxes themselves, or pay them at the time of registration. However, if a vehicle is acquired in a province other than Québec, QST need not be paid in proportion to the number of kilometres travelled in Québec.

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## Acquisition of road vehicles weighing less than 3,000 kilograms

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The usual rules apply when a vehicle weighing less than 3,000 kilograms is acquired in Québec by an SMB: the SMB must pay QST, but is generally entitled to an ITR (provided it is a QST registrant).

When a vehicle weighing less than 3,000 kilograms is acquired in Québec by an **interprovincial** carrier that is a large business, the carrier must pay QST, in addition to the prescribed taxes in each of the provinces it serves. These taxes are prorated based on the number of kilometres travelled in each province. In respect of the QST, however, the carrier may claim a rebate proportionate to the number of kilometres travelled in jurisdictions other than Québec. Carriers must register their vehicles with the competent authorities in the provinces that are members of the International Registration Plan.

When a vehicle weighing less than 3,000 kilograms is acquired in a province other than Québec, the prescribed provincial taxes are prorated based on the number of kilometres travelled in each province in which the vehicle is used. Large businesses, unlike SMBs, are responsible for calculating and remitting QST with respect to the kilometres travelled in Québec.

When a road vehicle weighing less than 3,000 kilograms is acquired in Québec by a large **international** carrier that is a large business, the carrier must pay QST, but may claim a rebate respecting the QST paid. The rebate is equal to the difference between the amount of QST actually paid and the amount of tax owing, based on the number of kilometres travelled in Québec.

# RULES FOR BROKER DRIVERS UNDER CONTRACT WITH AN INTERPROVINCIAL CARRIER

A broker driver is any person that, under the terms of a written contract with a carrier, agrees to provide a vehicle and the services of a driver under the direct control of the carrier.

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## **Contracts with an interprovincial carrier operating more than 10 vehicles**

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### **QST paid when the broker driver's vehicle was purchased**

As a rule, in cases where the vehicle weighs 3,000 kilograms or more, the registration office collects from the broker driver the tax with respect to all the provinces in which the broker driver operates. QST will not be collected where the broker driver provides proof that the tax was paid at the time of purchase. In cases where the vehicle weighs less than 3,000 kilograms, a broker driver that is considered to be a large business is responsible for remitting QST (which means that the motor carrier may not reduce the amount of QST owing by any amount the broker driver remits as tax to the other provinces).

### **QST not paid when the broker driver's vehicle was purchased**

The carrier must apportion the taxes among the provinces in which the broker driver operates (with the exception of Québec, as the QST is nil in this instance).





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## **Tax treatment of the reimbursement of a broker driver's expenses**

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Where an international or interprovincial carrier acquires transportation services under a contract with a broker driver, the latter is often required to reimburse the carrier for fuel and insurance expenses. The following sections explain how the GST and the QST apply to such expenses, as well as to administrative expenses.

### **Fuel expenses**

The carrier must collect GST and QST from the broker driver on the amount of fuel expenses that the latter reimburses to the carrier, except in the case of fuel purchased from retailers outside Canada (outside Québec, for QST purposes).

### **Insurance expenses**

As a rule, the broker driver agrees to be insured under the carrier's policy and to reimburse the carrier for the portion of the insurance premium that applies to the broker driver. The carrier must collect GST and QST on the portion of the insurance expenses the carrier bills to the broker driver.

### **Administration expenses**

The carrier must collect GST and QST on administration expenses that the carrier bills to the broker driver.

# KEY FORMS

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## Registration forms

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Freight carriers that are required to register for the GST and QST (or that choose to do so) must complete form LM-1-V, *Application for Registration*. If they transport bulk fuel, they must also complete form CA-27.1-V, *Permit Application: Fuel Tax Act*. If they transport unidentified tobacco intended for sale or raw tobacco,<sup>1</sup> they must also complete form TA-6.1-V, *Permit Application: Tobacco Tax Act*.

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## GST and QST returns

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Registered carriers must complete and file a GST or QST return for each reporting period.

For reporting periods ending on or after July 1, 2010, registrants whose total annual taxable sales<sup>2</sup> exceed \$1.5 million must file their GST and QST returns electronically by means of online services, software authorized by Revenu Québec or electronic services offered by a participating financial institution. For more information, refer to the “Online services” section below.

Registrants whose total annual taxable sales are \$1.5 million or less have the option of filing their returns electronically or by mail. If they choose to file by mail, they must use the following forms (which they will have received from us):

- the GST return (form FPZ-34-V),
- the QST return (form VDZ-471-V), and
- the GST-QST return (form FPZ-500-V).

Unregistered carriers may be required to complete the *Special-Purpose Return* (form FP-505-V).

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## Fuel tax forms

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### Carriers subject to the International Fuel Tax Agreement

Carriers subject to IFTA must complete form CA-500-V, *Application for a Licence and Decals: International Fuel Tax Agreement (IFTA)*, and file it with us. Each quarter they must also file form CAZ-510-V, *Quarterly Fuel Tax Return: International Fuel Tax Agreement – IFTA*.

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1. Tobacco leaves that have not been processed beyond the drying stage and fragments of such tobacco leaves, and tobacco for use in the composition of tobacco products intended for sale.

2. Total annual taxable sales do not include sales made outside Canada, zero-rated exports of property and services, zero-rated financial services and taxable sales of immovables and goodwill. They do include taxable sales made by associates.



## ONLINE SERVICES

Revenu Québec's website provides a wealth of information about the Québec tax system and Revenu Québec, and also allows you to consult the various guides, brochures, folders and forms you may need for tax purposes. We invite you to visit our website at [www.revenuquebec.ca](http://www.revenuquebec.ca).

On our website, you can also access our online services that allow you to fulfil your various tax obligations more quickly and easily. You can consult your returns and statements of account and view information concerning your payments and refunds directly on screen. You can also file your consumption tax returns and make your payments online.





# TO CONTACT US

## Online

[www.revenuquebec.ca](http://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 <b>418 659-6299</b>	Montréal <b>514 864-6299</b>	Elsewhere <b>1 800 267-6299</b> (toll-free)
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### Businesses, employers and agents for consumption taxes

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

Montréal <b>514 873-4455</b>	Elsewhere <b>1 800 361-3795</b> (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  
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### 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  
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Cette publication est également disponible en français et s'intitule *La TVQ, la TPS/TVH, la taxe sur les carburants et les transporteurs de marchandises* (IN-218).