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Consumer Taxes

Number: TVQ. 57-2/R1

Date: December 29, 2011

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Act(s): *Act respecting the Québec sales tax (R.S.Q., c. T-0.1), sections 57, 197.2 and 350.6*

Subject: **Reduction for Prompt Payment of the Consideration for a Supply**

This version of interpretation bulletin TVQ. 57-2 replaces the version of June 29, 2001, in order to update it and to take into account the zero-rating measure applicable in respect of the sale of motor vehicles acquired in order to be resupplied by way of sale or long-term lease.

This bulletin explains how the *Act respecting the Québec sales tax (AQST)* applies in respect of the reduction of the amount of the consideration for a supply when the payment of that amount is made within a certain time limit.

THE ACT

1. Section 57 of the AQST provides that where corporeal movable property or services are supplied and the amount of consideration for the supply shown in the invoice in respect of the supply may be reduced if the amount thereof is paid within a time specified in the invoice, the consideration due is deemed to be the amount of consideration shown in the invoice.

2. Moreover, under section 350.6 of the AQST, where a registrant makes a taxable supply in Québec of property or a service (other than a zero-rated supply that is not a zero-rated supply under section 197.2) that a particular person acquires either from the registrant or from another person, and the registrant pays at any time to the particular person a rebate in respect of the property or service to which section 449 of the AQST does not apply, and therewith provides written indication that a portion of the rebate is an amount on account of tax, the following rules apply:

—the registrant may claim an input tax refund (ITR) equal to the amount obtained by multiplying the tax fraction in force by the amount of the rebate; and

—where the particular person is a registrant, the particular person is required to add, in calculating the person's net tax, the portion of the rebate that represents an amount on account of tax, to the extent that the person was entitled to claim an ITR or a rebate under Division I of Chapter VII of Title I of the AQST in respect of the acquisition of the property or service.

APPLICATION OF THE ACT

3. Thus a registrant that grants a reduction in the amount of the consideration for a supply because the registrant received payment of the consideration within the specified time limit must calculate the QST on the amount invoiced, that is, without taking into account the reduction of the consideration, in accordance with section 57 of the AQST.

4. Moreover, a reduction of the consideration may also be deemed to be a rebate for the purposes of section 350.6 of the AQST. However, for that section to apply, the tax must have been collected in accordance with section 57 of the AQST. In addition, the registrant granting a rebate must provide with the rebate a written indication clearly stating that a portion of the rebate is an amount on account of tax.

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5. Thus, if the written indication was provided to the beneficiary of the rebate, the registrant may claim an ITR equal to the amount obtained by multiplying the amount of the rebate by the tax fraction in force in respect of the rebate. In such a case, however, the beneficiary of the rebate, where the beneficiary is a registrant, is required to add, in calculating the beneficiary's net tax, the portion of the rebate that represents an amount on account of tax, to the extent that the beneficiary was entitled to claim an ITR or a rebate under Division I of Chapter VII of Title I of the AQST in respect of the acquisition of the property or service.