



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

Consumer Taxes

Number: TVQ. 80.2-1/R1

Date: December 29, 2011

Page: 1 of 3

Act(s): *Act respecting the Québec sales tax (R.S.Q., c. T-0.1), sections 80.2¹ and 206.1²*

Subject: **Telephone Order Management Service**

This version of interpretation bulletin TVQ. 80.2-1 replaces the version of June 30, 1995, in order to take into account the repeal of section 80.2 of the Act respecting the Québec sales tax on August 1, 1995. However, that provision can still be applied with regard to the right of certain businesses to claim an input tax refund when they acquire a telecommunication service.

This bulletin explains how the *Act respecting the Québec sales tax* (AQST) applies to supplies of a telephone order management service made by a "large business", that is, essentially a business with sales of more than \$10 million.³

DESCRIPTION OF THE SERVICE

1. Certain businesses provide a telephone order management service to a clientele consisting mainly of persons who operate branches or do business with franchisees.

2. To provide such a service, the supplier must acquire a telephone service so that customers of the branches or franchisees (consumers) will have a single telephone number to call to order the desired goods or services.

3. Typically, a supplier who provides a telephone order management service

—takes down orders from consumers;

—closes sales on behalf of the supplier's clients (the branches or franchisees) by accepting orders;

—matches each consumer to the branch or franchisee closest to the consumer's address by means of a computer system. Using a consumer's telephone number, for example, the computer system can find the consumer's address and the address of the branch or franchisee able to fill the order accepted by the supplier;

—prepares the invoices for the orders. This may also be done by means of a computer system;

—transmits each invoice to the branch or franchisee selected by the computer system, so that the goods or service covered by the invoice can be supplied;

—manages complaints, delays and credits relating to orders;

—prepares and submits reports concerning sales, complaints, delays and credits;

¹ Section 80.2 of the *Act respecting the Québec sales tax* (AQST) was repealed on August 1, 1995, but applies to certain telecommunication services acquired by large businesses. (S.Q. 1995, c. 63, ss. 341, 350.)

² Section 206.1 of the AQST was repealed on August 1, 1995, for small and medium-sized businesses and was supposed to be repealed on November 30, 1996, for large businesses. (S.Q. 1995, c. 63, s. 350.) However, for large businesses generally, the repeal of that section was at first postponed until March 31, 1997 (*Budget Speech and Additional Information*, May 9, 1996, Appendix A, p. 11), and was subsequently postponed indefinitely (*Budget Speech and Additional Information*, March 25, 1997, Appendix A, pp. 204-05 and S.Q. 1997, c. 85, s. 729).

³ Interpretation bulletin TVQ. 206.1-9, "Qualification as a small or medium-sized business or as a large business", dated December 29, 2005, provides details in that regard.

Consumer Taxes

Number: **TVQ. 80.2-1/R1**

Date: **December 29, 2011**

Page: **2 of 3**

—provides information about the goods or services supplied by the branches or franchisees to persons who call the number for telephone orders.

TYPE OF SERVICE

4. Suppliers who provide a telephone order management service undertake to process orders, close sales on behalf of their clients, prepare invoices, notify their clients of orders to be filled and provide other related services to their clients. Thus, the suppliers' undertakings with their clients are not limited to taking down and transmitting telephone orders to their clients so that the latter can respond to the orders.

5. A service that involves more than just taking down and transmitting telephone orders is not considered a telecommunication service but rather a telephone order management service performed by means of a telecommunication service (a telephone line).

APPLICATION OF THE ACT

6. Before section 80.2 of the AQST was repealed on August 1, 1995, no tax was payable in respect of the supply of a telecommunication service to a person operating a telecommunication service if the service was to be used directly and solely for the purpose of making a taxable supply, other than a zero-rated supply, of another telecommunication service by that person.

7. In that regard, the transitional provisions related to the repeal of sections 206.1 to 206.6 of the AQST state, *inter alia*, that in determining an input tax refund (ITR) of a registrant that qualifies as a "large business", no amount is to be included with regard to the tax payable by the latter in respect of a supply of a telecommunication service unless, in particular, no tax would have been payable in respect of such a supply under section 80.2 of the AQST had that section not been repealed.

TELEPHONE ORDER MANAGEMENT SERVICE

Acquisition of a telephone service

8. Since a telephone order management service does not constitute a telecommunication service, the supplier of such a service is required to pay Québec sales tax (QST) in respect of the telecommunication service (the telephone service) acquired by the supplier to perform the telephone order management service, and cannot claim an ITR in that regard if the supplier qualifies as a "large business".

Supplies of a telephone order management service

9. Suppliers of a telephone order management service are required to collect the QST payable by their clients in respect of the service and the clients may claim an ITR in that regard.

TELEPHONE ORDER TAKING SERVICE

10. A service that consists only of the supplier's taking down and transmitting telephone orders to the client so that the latter can respond to the orders constitutes a telephone order taking service. In such a case, the service provided by the supplier may be considered a telecommunication service, since it involves only the transmission of messages intended for the client.

11. The fact that a supplier of a telephone order taking service is only required to transmit telephone orders to the client so that the latter can respond to the orders distinguishes such a service from a telephone order management service.

12. Supplies of a telephone order taking service would be covered by section 80.2 of the AQST had that section not been repealed. Therefore, suppliers may claim an ITR in respect of the telecommunication service they use *directly and solely* for the purpose of making a supply of another telecommunication service.



Consumer Taxes

Number: **TVQ. 80.2-1/R1**

Date: **December 29, 2011**

Page: **3 of 3**

13. Furthermore, suppliers of a telecommunication service are required to collect the QST payable by their clients in respect of the service and the clients cannot claim an ITR if they qualify as a "large business".