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Consumer Taxes

Number: TVQ. 198.1-1/R2

Date: September 30, 2011

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Act(s): *Act respecting the Québec sales tax (R.S.Q., c. T-0.1), section 198.1*

Subject: **Printed Books**

This version of interpretation bulletin TVQ. 198.1-1 supersedes those of April 30, 1999, and April 1, 2011. The bulletin has been revised to reflect the announcement made on July 6, 2011, by the Ministère des Finances, in Information Bulletin 2011-3, of the broadening of the zero-rating measure for printed books. Editorial changes have also made.

The bulletin comes into effect on November 1, 2011.

This bulletin clarifies the application of the *Act respecting the Québec sales tax (AQST)* on the supply of printed books.

RELEVANT PROVISION OF THE ACT

1. Section 198.1 of the AQST provides that a supply of a printed book or its updating, identified by an International Standard Book Number (ISBN) assigned according to the international book numbering system, as well as a supply of a talking book or of its carrier, acquired by a person as a result of a visual handicap, are zero-rated supplies.

APPLICATION OF THE ACT

THE CONCEPT OF “PRINTED BOOK”

2. Although the AQST does not define “printed book”, the expression is commonly understood to mean a number of sheets, containing characters intended to be read, that have been fastened together in some way and printed. Thus, for the purposes of determining whether a document is a printed book, the following criteria must be considered:

(a) the document must be an assemblage of a certain number of printed sheets;

(b) the content of the sheets must have been reproduced by some or other printing method and must consist of characters that are intended to be read; and

(c) the sheets must be bound (i.e., stitched, glued, stapled or otherwise bound) and inserted between covers.

3. The following documents are considered to be printed books, the supply of which is zero-rated, inasmuch as they correspond to the concept of “printed book” defined by the criteria given in point 2 of this bulletin and are identified by an ISBN: product catalogues, annual reports and financial statements, admissions guides of educational institutions, student yearbooks, brochures, books of sheet music and conference kits.

4. On the other hand, ruled notebooks, accounting books and the downloaded text of a conference are not considered printed books. Consequently, the supply of such documents is taxable.

5. Moreover, the supply of a newspaper, periodical or other document that is not a book but that may be

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identified by an ISBN, such as software or an electronic document on CD-ROM, is a taxable supply.

ACTIVITY BOOKS AND AGENDAS

6. Activity books include, *inter alia*, colouring books and books of sudoku puzzles, crossword puzzles, word searches, mazes or connect-the-dots puzzles.

7. Activity books and agendas that fit the criteria listed in point 2 above and are identified by an ISBN constitute printed books. As a result, the supply of such documents is zero-rated.

PRINTED BOOKS ISSUED WITH A READ-ONLY MEDIUM OR A RIGHT OF ACCESS TO A WEBSITE

8. The supply of a product consisting of a printed book, identified by an ISBN, and a read-only medium or a right of access to a website that are sold together for a single price is zero-rated if the following conditions are met:

(a) the printed book and the read-only medium or the right of access to a website are wrapped, packaged, combined, or otherwise prepared to be supplied as an inseparable whole of which they are the only elements;

(b) it is reasonable to consider that the book is the principal element of the supply.

9. The expression “read-only medium” means a tangible medium that is designed for the read-only storage of information and other data in digital form. In other words, the medium can be used by the consumer for reading only.

10. For example, a supply of the following products that meet the conditions set out in point 8 above is zero-rated:

(a) a cookbook with a CD-ROM showing how to prepare some of the recipes in the book;

(b) a psychology book complemented by a companion website featuring additional material;

(c) an English dictionary with a CD-ROM containing the full text of the dictionary.

However, the supply of a novel that comes with a DVD of the film adapted from the novel is taxable because the product does not meet the conditions set out in point 8.

PRINTED BOOKS ISSUED WITH OTHER PROPERTY

11. This product consists of a printed book, identified by an ISBN, and another property (other than a read-only medium and a right of access to a website) that are sold together for a single price. In such a case, the supply is considered to be a single supply of a new product that does not constitute a printed book. As a result, the supply is taxable.

12. Thus, the supply of a printed book that is packaged, for example, with massage stones, cups, tasting spoons, tarot cards, tools, paints and brushes, crayons, a cooking thermometer, a jigger and cocktail shaker, a bowl or needles and thread, constitutes a taxable supply.

13. In some very rare instances, a product consists of a printed book, identified by an ISBN, and another property which is, *prima facie*, of little importance. In such cases, the product continues to be considered a printed book, the supply of which is zero-rated. For example, the supply of a printed book that comes with a few stickers is zero-rated.