

Ministère du Revenu du Québec

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Tax News

Fourth quarter 2006



Charges for returnable containers



Some suppliers use returnable containers (such as wooden skids, cases or other containers) for the transportation and handling of products sold. If separate charges are made for returnable containers, they are subject to the goods and services tax (GST) and the Québec sales tax (QST).

When the customer returns a container that held the products to the supplier, the return may be dealt with according to the provisions of the original agreement, that is,

- as a sale made by the customer to the original supplier. A customer that is a registrant charges GST and QST to the supplier on the return of a container. The supplier may claim an input tax credit (ITC) or an input tax refund (ITR) in respect of the GST and QST paid on repurchasing the container;
- as a refund made by the supplier to the customer. The supplier refunds the amount of separate charges and taxes paid by the customer or issues the customer a credit note. Alternatively, the customer may issue the supplier a debit note.

If the supplier and the purchaser are both registrants and they have reported the amount of taxes collected and remitted or have claimed an ITC or an ITR, as applicable, in their respective GST and QST returns, the supplier can make the refund without including the GST and QST amounts that were initially paid by the purchaser.

However, if the supplier refunds or credits the purchaser for the taxes already paid, the supplier must issue a credit note. Furthermore, when the supplier and the purchaser are both registrants, they must adjust their GST and QST returns for the reporting period in which the credit note was issued.

In such a case, the supplier must deduct the amount of taxes refunded or credited in the calculation of net tax and the purchaser must include this amount in the calculation of net tax for the reporting period in question.



Information to support claims for ITCs and ITRs

Agents must fulfil a certain number of legal obligations with respect to the keeping of books, records and related supporting documents. For example, to claim input tax credits (ITCs) and input tax refunds (ITRs), agents must submit the information shown in the table below. However, Revenu Québec does not require a special invoice for GST and QST purposes.

If you are a GST and QST registrant, you must determine the amount of your ITCs and ITRs on the basis of the taxes applicable to the property or services you purchased. You must ask your suppliers to provide you with the information necessary to support your claims for ITCs and ITRs.

If you have customers that are registrants, they may ask you to provide them with such information to support their claims for ITCs and ITRs.

Information required on invoices to support claims for ITCs and ITRs

Information required	Total amount of invoice less than \$30	Total amount of invoice between \$30 and \$149.99	Total amount of invoice \$150 or more
Name or business name of supplier ¹	X	X	X
Date of invoice	X	X	X
Total amount of invoice	X	X	X
Amount of taxes ²	X	X	X
	QST only		
Registration numbers of supplier (or intermediary) for GST and QST purposes		X	X
Name or business name of purchaser			X
Terms of payment			X
Description of property or service	X	X	X
	QST only	QST only	

1. May also be an intermediary.

2. Even if GST and QST are included in the price, the amount of each tax must be entered on the invoice. The invoice must also indicate that the GST and QST are included in the price.



Simplified method for calculating ITCs and ITRs

The image shows a portion of a tax form titled 'Méthode simplifiée de calcul des crédits d'impôt et des remboursements d'impôt sur la taxe de vente'. It includes fields for the taxpayer's name, address, and business information, along with checkboxes for various requirements.

ITC
ITR

The simplified method is an alternative way of calculating the input tax credits (ITCs) and input tax refunds (ITRs) you claim on your *GST/HST-QST Return*.

You can use this method if you meet all of the following requirements:

- You are a GST-QST registrant.
- You **are not** a listed financial institution (for example, a bank, an insurer or a trust).
- Your total annual income from taxable supplies worldwide for the previous quarter does not exceed \$500,000.
- If you start using the simplified method in a quarter that is not the first quarter of your fiscal year, your total taxable supplies for the previous quarter or quarters of the current fiscal year do not exceed \$500,000. Include supplies made by your associates, but not supplies of financial services or immovables. Do not include GST or QST in calculating total supplies under the GST system, and do not include QST in calculating total supplies under the QST system.
- Your total taxable purchases (other than zero-rated purchases) in Canada do not exceed \$2 million during the preceding fiscal year. The \$2 million purchase limit includes GST and QST, as well as purchases imported into Canada or, under the QST system, brought into Québec.
- If you are a public service body, it is reasonable to expect that your taxable purchases in the current fiscal year will not exceed \$2 million.

If you qualify, you can elect to start using the simplified method for calculating ITCs and ITRs at the beginning of any reporting period in a fiscal year. It is not necessary to file an election form with Revenu Québec to use the simplified method, but you do have to use the method consistently for one year if you continue to meet the applicable conditions.

With the simplified method for calculating ITCs and ITRs, you are not required to indicate separately the amount of GST and QST payable on each invoice. Instead, you need only add the total amount of your taxable purchases (other than zero-rated purchases), including GST and QST, other taxes and duties imposed on imported goods, tips, and penalty and interest charges on late payments. If you make

purchases in participating provinces, you will need to distinguish your purchases that are taxable at 14%.

To calculate your ITRs, simply multiply the total of your taxable (other than zero-rated) purchases by 7.5/107.5. The amount obtained is your ITR for the period covered. To calculate your ITCs, subtract your ITRs from the total of your taxable purchases. Then multiply the amount obtained by 6/106 for purchases subject to the GST. For purchases made in participating provinces, use the 14/114 rate.

For purchases made before July 1, 2006, use the 7/107 rate for the GST and the 15/115 rate for the QST.

You can use the simplified method only for property and services acquired to make taxable supplies. If property is acquired for personal use, or in order to make both taxable and exempt supplies, only the portion acquired to make taxable supplies can be included in calculating ITCs and ITRs. However, if you use at least 90% of the property purchased to make taxable supplies, you may include the total amount of the purchase in calculating ITCs and ITRs. For audit purposes, you must keep the usual documents to support your claims.

For more information on using the simplified method, refer to the brochure *General Information Concerning the QST and the GST/HST* ([IN-203-V](#)).



Construction or substantial renovation of a residential complex

Self-supply of a residential complex



If you build or substantially renovate a residential complex in order to lease it or use it as your residence, you must pay the goods and services tax (GST) and the Québec sales tax (QST) on the [fair market value](#) (FMV) of the complex. The tax is calculated as if you sold the residential complex to yourself and self-assessed the taxes.

The self-supply rules generally apply in the following cases:

- You are a [builder](#) that built or substantially renovated a residential complex and you lease the complex or the unit held in co-ownership to a person for use as his or her place of residence.
- You are a builder (individual) who built or substantially renovated a residential complex in the course of your business and you use the complex or one of its units as your place of residence.

You must pay the GST and QST calculated on the FMV of the complex by the later of the following dates:

- the date on which possession of the complex or unit is transferred or the date on which the complex is occupied by the builder;
- the date on which the work is substantially (90%) completed.

Exceptions

If you are a builder, you are not required to pay GST or QST on a residential complex if the following conditions are met:

- You are an individual who builds or substantially renovates a residential complex.
- You (or your former spouse, former de facto spouse or an individual related to you) use the complex primarily (more than 50%) as a place of residence.
- The complex has not been used for non-residential purposes since the work was substantially completed.
- You have not claimed an ITC or an ITR respecting the construction or substantial renovation of the complex.

ITCs, ITRs and rebates

If you are a registrant, the tax you paid on the purchase of the land and on construction costs generally entitles you to an input tax credit (ITC) and an input tax refund (ITR).

If you are not a registrant and you are required to pay tax under the self-supply rules, you may claim a rebate of the taxes paid on the purchase of the land (where applicable), the materials and the services relating to the construction of the residential complex.

However, regardless of whether or not you are a registrant, you may be entitled to a [rebate](#) of 36% of the taxes you paid at the time of the self-supply (sale of the complex to yourself).



Trucking services



In the road transportation industry, trucking services are usually supplied by one of the following three types of truckers: owner-operators, self-employed truckers or employees of carriers. The application of the goods and services tax (GST) and the Québec sales tax (QST) varies according to the kind of services each type of trucker supplies.

Owner-operator

Where an owner-operator enters into an agreement with a carrier in order to provide freight transportation services with his or her own trucks, the transportation services are zero-rated (subject to GST and QST at the rate of 0%), provided certain conditions are met. The owner-operator must be a carrier, that is, he or she must supply a freight transportation service (as defined under the GST and QST systems) and be responsible for providing this freight transportation service.

Moreover, the transportation service supplied by the owner-operator must be part of a continuous freight transportation service, that is, the transportation of corporeal movable property (called "tangible personal property" under the GST system) by one or more carriers to a destination specified by the shipper, where all the freight transportation services provided by the carriers are supplied as a consequence of instructions given by the shipper.

An owner-operator who supplies services only as a driver is not a carrier. He or she offers truck-driving services. The GST and QST apply to such services when they are supplied by a trucker who is registered for the GST and QST.

Self-employed trucker

Where a self-employed trucker does not use his or her own truck and is not responsible for supplying freight transportation services, the services he or she offers are truck-driving services, not freight transportation services. The GST and QST apply to such services when they are supplied by a trucker who is registered for the GST and QST.

Employee of a carrier

The GST and QST do not apply to the salary that a carrier pays to an employee for driving trucks.

For further information on freight transportation services, consult the brochure *QST, GST/HST and the Fuel Tax: How They Apply to Freight Carriers* ([IN-218-V](#)).



Telephone services

Cellular telephones



Specific rules are used to determine whether the goods and services tax (GST) and the Québec sales tax (QST) apply to calls made on a cellular telephone, in situations where the cellular service provider bills a subscriber for calls made on his or her cell phone.

Under the **GST** system, the tax applies to a telephone call when the call is considered to be made in Canada, as in the following situations:

- It is made and received in Canada.
- It is made **or** received in Canada and the billing location for the call is in Canada.

Canada is considered to be the billing location if the fee for the call is charged or applied by a cellular service provider to a subscriber account for a cell phone ordinarily located in Canada. A cell phone is ordinarily located in Canada if its telephone number includes a Canadian area code.

Under the **QST** system, the tax applies to a telephone call when the call is considered to be made in Québec, as in the following situations:

- It is made and received in Québec.
- It is made **or** received in Québec and the billing location for the call is in Québec.
- It is made in Québec and received outside Québec and,
 - where the call is received outside Canada, the billing location is in another province;
 - where the call is received in another province, the billing location is not in that province.

Québec is considered to be the billing location if the fee for the call is charged or applied by a

cellular service provider to a subscriber account for a cell phone ordinarily located in Québec. A cell phone is ordinarily located in Québec if its telephone number includes a Québec area code.

Examples

A person subscribes to a plan with a cellular service provider and receives a cell phone which has a number with a Montréal area code. Since Montréal is located in Québec, the cell phone is considered to be ordinarily located in Canada for GST purposes and in Québec for QST purposes.

A non-resident of Canada rents a cell phone from a Québec service provider to use during a trip to Canada. The cell phone has a telephone number with a Québec City area code. As a result, the cell phone is considered to be ordinarily located in Canada for GST purposes and in Québec for QST purposes.

A person rents a cell phone from a Québec service provider to use during a trip to England. The cell phone has a telephone number with an area code assigned to London, England. Although the phone is rented from a Québec service provider, the phone is not considered to be ordinarily located in Canada because the telephone number does not include a Canadian area code. By the same token, the phone is not considered to be ordinarily located in Québec because the telephone number does not include a Québec area code.

Satellite telephone service

The rules that are used to determine whether calls using cell phones are made in Canada (GST) and in Québec (QST) also apply to calls made using satellite phones. However, satellite phones differ from cell phones in that satellite phones generally do not have telephone numbers with a Canadian area code. For the purposes of determining the billing location for a telephone call, a satellite phone is considered to be ordinarily located in Canada if the permanent address of the satellite phone purchaser or service subscriber is in Canada. By the same token, a satellite phone is considered to be ordinarily located in Québec if the permanent address of the satellite phone purchaser or service subscriber is in Québec.

Example

A person subscribes to a satellite service plan. The subscriber's permanent address is in Montréal. As a result, the satellite phone is considered to be ordinarily located in Canada for GST purposes and in Québec for QST purposes.



Extra charge to compensate for the increase in fuel price



In the transportation industry, an extra charge may be added to the consideration indicated on the invoice for the transportation service, to compensate for the fuel price increase. Suppliers of transportation services can therefore recover all or a portion of the increased fuel costs they pay, without adjusting the price of the transportation service they supply.

The extra charge is part of the consideration for the transportation service. Consequently, the goods and services tax (GST) and the Québec sales tax (QST) are calculated on this amount at the same rates as the remainder of the consideration for the transportation service.

Where the transportation service is GST-taxable at the rate of 6% and QST-taxable at 7.5%, all the costs relating to this service, including the extra charge paid to compensate for the increase in fuel price, are subject to GST and QST at the same rates.

However, where a transportation service is zero-rated (that is, subject to GST and QST at the rate of 0%), no tax is payable on the costs relating to this transportation service, including the extra charge.



Interest rates in effect for the GST

Prescribed interest rates are adjusted quarterly to reflect market trends. Penalties and interest related to the GST are calculated daily.

Annualized interest rates and penalty rates for the quarterly periods from January 1, 2006, to December 31, 2006, are listed below.

Period	Annualized interest rate (%)	Penalty rate (%)
January 1 to March 31, 2006	2.4333	6
April 1 to June 30, 2006	3.6099	6
July 1 to September 30, 2006	3.5707	6
October 1 to December 31, 2006	3.5707	6



Reminder regarding the prohibition of zappers

For more than six years, the *Act respecting the Ministère du Revenu* has prohibited any person who keeps tax registers by means of a computer system or electronic device from using any function (such as a zapper) that can alter data without preserving the original data.

The Act is now much stricter. Since June 13, 2006, no person may carry on any activity connected with zappers, whether it be to design, manufacture or install, sell, lease or otherwise make available to another person, update, maintain, upgrade, alter or service, or in any way offer to install, sell, lease or otherwise make available to another person, update, maintain, upgrade, alter or service a computer program function or electronic component the use of which is prohibited by the Act.

A person who contravenes this prohibition is guilty of an offence and is liable to a fine of not less than \$25,000 or more than \$500,000 and, for a subsequent offence within five years, to a fine of not less than \$100,000 or more than \$1,000,000. In addition to the fine, the court may sentence the offender to imprisonment for a maximum of two years.



Authorization, power of attorney or revocation



To ensure the privacy of information, taxpayers who wish to have Revenu Québec transmit confidential information to a third party, or to appoint a third party to represent them or act on their behalf, can complete and sign an authorization, power of attorney or revocation, depending on the situation that applies. Revenu Québec provides forms for this purpose.

Principal forms

Form [MR-69-V](#), *Power of Attorney, Authorization to Communicate Information, or Revocation*, can be used by taxpayers to authorize Revenu Québec to communicate confidential information to a designated person, and to appoint a person to represent them with Revenu Québec.

Persons may wish to authorize Revenu Québec to disclose confidential information concerning them to a third party. This may be the case, for example, where they have a tax preparer file their income tax return over the Internet. In that instance, they may complete section 3 of form [TP-1000.TE-V](#), *Internet Filing of Personal Income Tax Returns: Statement and Authorization by Individuals*. The authorization is valid only in respect of the netfiled income tax return covered by the form.

Persons who wish to appoint a person or business to represent them with Revenu Québec for the purposes of the tax credit for home-support services for seniors must complete and sign section 4 (Power of attorney for advance payments of the tax credit for home-support services for seniors) of form [TP-1029.MD.1-V](#), *Registration for Advance Payments – Tax Credit for Home-Support Services for Seniors*. The power of attorney does not give the representative access to information in a person's income tax return.



QPP contributions for 2007

Below you will find information regarding contributions to the Québec Pension Plan (QPP) for 2007.

Maximum pensionable earnings	\$43,700
Basic exemption	\$3,500
Maximum contributory earnings	\$40,200

Contribution rate

Employee	4.95%
Employer	4.95%
Self-employed person	9.90%

Maximum contribution

Employee	\$1,989.90
Employer	\$1,989.90
Self-employed person	\$3,979.80



Information bulletin 2006-4

On October 23, 2006, the Ministère des Finances du Québec announced an increase in the rate of the refundable tax credit for the construction of public access roads and bridges in forest areas.

For further information, see Information bulletin [2006-4](#) of the Ministère des Finances.



Documents published by the CRA

In recent months, The Canada Revenue Agency (CRA) has published or updated the following documents:

Technical information bulletins

Application of the GST/HST to Cemetery Products and Services ([B-093](#))

Amendments to the Point-of-Sale Rebate for Printed Books ([B-094](#))

GST/HST information

Reduction in the Rate of the GST/HST ([GI-013](#))

Applying the GST/HST Rate Reduction to Allowances and Reimbursements ([GI-014](#))

GST/HST Rate Reduction and Purchasers of New Housing ([GI-015](#))

Applying the GST/HST Rate Reduction to Prepaid Funeral and Cemetery Arrangements ([GI-016](#))

GST/HST Rate Reduction – Streamlined Methods of Accounting for Small Businesses ([GI-017](#))

GST/HST Rate Reduction – Application to Price Adjustments, Adjustments for GST/HST Overcharged, and Returned Goods ([GI-018](#))

Newspaper Carriers ([G1-019](#))

Bars ([G1-020](#))

Snack Foods ([G1-021](#))

Application of the GST/HST to Sales of Water ([G1-022](#))

Direct Sellers' Sales Aids ([G1-023](#))

GST/HST guides and brochures

The Business Number and Your Canada Revenue Agency Accounts ([RC2](#))

General Information for GST/HST Registrants ([RC4022](#))

Doing Business in Canada – GST/HST Information for Non-Residents ([RC4027](#))

GST/HST New Housing Rebate – Includes Forms ([RC4028](#))

Tax Refund for Visitors to Canada ([RC4031](#))

General Application for GST/HST Rebates ([RC4033](#))

GST/HST Public Service Bodies Rebate – Includes Forms ([RC4034](#))

GST/HST Information for the Travel and Convention Industry ([RC4036](#))

GST/HST Information for Municipalities ([RC4049](#))

Quick Method of Accounting for GST/HST ([RC4058](#))

Guide for Canadian Small Businesses ([RC4070](#))

First Nations Tax (FNT) [[RC4072](#)]

GST/HST Information for Freight Carriers ([RC4080](#))

GST/HST Information for Non-Profit Organizations ([RC4081](#))

GST/HST Information for Charities ([RC4082](#))

GST/HST Rebate for Partners ([RC4091](#))

Harmonized Sales Tax and the Provincial Motor Vehicle Tax ([RC4100](#))

GST/HST Information for Suppliers of Publications ([RC4103](#))

Tax Refund for Business Travel to Canada ([RC4117](#))

Basic GST/HST Information for Taxi and Limousine Operators ([RC4125](#))

Tax Refund for Non-Resident Travel Organizers and Foreign Conventions ([RC4160](#))

GST/HST New Residential Rental Property Rebate ([RC4231](#))

The Special Quick Method of Accounting for Public Service Bodies ([RC4247](#))

First Nations Goods and Services Tax (FNGST) [[RC4365](#)]

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