Tax News

Third quarter 2005

Reminder concerning books and registers

If you operate a business in Québec, you must keep books and registers. As a rule, they must be retained in their original format (paper or electronic) for at least **six years** after the taxation year to which they pertain and should be kept at your place of business or your home.

In the event of an audit, these records must be made available to the employees of Revenu Québec within a reasonable period of time.

The records must contain the following information:

- your business income and expenses
- the amounts of GST and QST you collected
- the sales taxes you paid, if you are claiming input tax credits (ITCs) or input tax refunds (ITRs)
- the information used to calculate your source deductions and employer contributions

The supporting documents you must retain include:

- a daily statement of your revenues, along with invoices and cash register tapes
- a daily statement of your operating expenses, along with your cancelled cheques, voided cheques and receipts
- a statement of kilometres travelled for each automobile used for both business and personal purposes
- documents substantiating travel and trips
- documents substantiating capital expenditures
- your credit card bills and monthly statements
- registers indicating your employees' names, their salaries and wages, and the amounts withheld from their remuneration

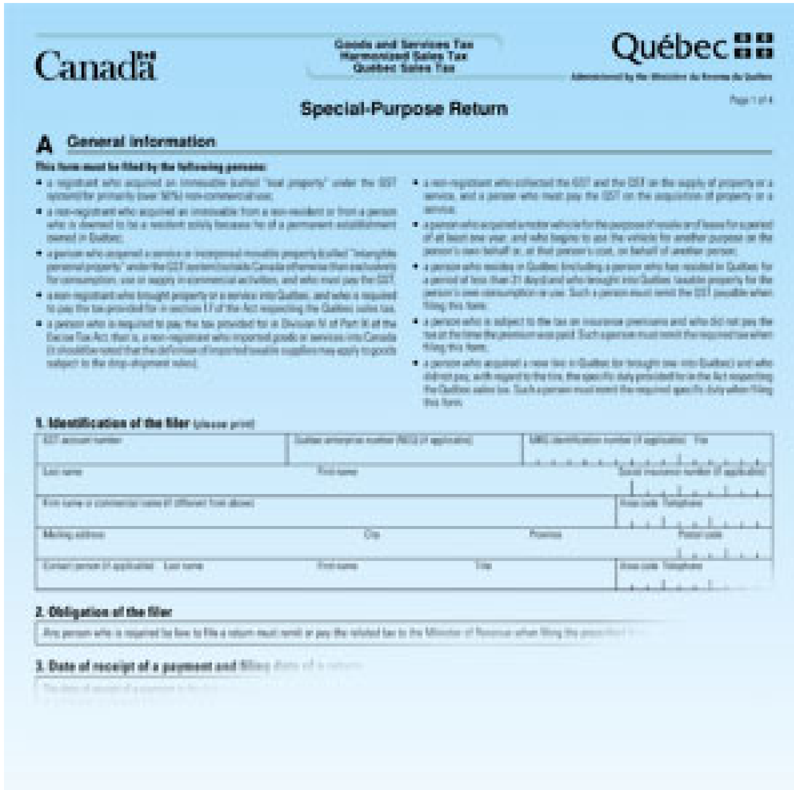
ITCs and ITRs claimed on the purchase of a passenger vehicle

GST and QST registrants may, as a rule, claim input tax credits (ITCs) and input tax refunds (ITRs) with respect to movable property, such as a passenger vehicle, that they use primarily (more than 50%) in their commercial activities.

Registrant partnerships and individuals, however, may claim ITCs and ITRs corresponding to the total tax paid on the purchase of a passenger vehicle only if the vehicle is to be used 90% or more in their commercial activities. Otherwise, the ITCs and ITRs must be calculated each year on the basis of the capital cost allowance.

For all registrants, the portion of the cost of a passenger vehicle that gives entitlement to an ITC and an ITR is limited to the capital cost threshold for income tax purposes.

QST payable on movable property acquired in another province


Canada

Goods and Services Tax
Harmonized Sales Tax
Québec Sales Tax

Québec

Special-Purpose Return

A General information

This form must be filed by the following persons:

1. Identification of the filer (please print)

2. Obligation of the filer

If you are not registered for the QST and you bring into Québec **corporeal movable property** acquired elsewhere in Canada, you are required to pay the QST that would apply had you acquired the property in Québec. To pay QST on the value of taxable property brought into Québec from elsewhere in Canada, you must file the *Special-Purpose Return* (form **FP-505-V**).

Taxes on butcher services

Basic foodstuffs like meat are zero-rated. However, taxes must be paid on butcher services that consist in cutting up an animal and returning the meat to its owner (who may be a hunter or a livestock farmer, for example).

Antique dealers and the Quick Method of Accounting

The Quick Method is a simplified method of calculating the amounts of GST and QST to be remitted to Revenu Québec. It may be used by businesses whose annual taxable sales worldwide (including zero-rated sales and sales made by associates) do not total more than $200,000 (GST included) under the GST system and $215,000 (GST and QST included) under the QST system. If you have a small business as an antique dealer, you may be entitled to use the Quick Method of Accounting.

Under the Quick Method, you collect GST and QST in the usual way. To calculate the GST to be remitted for a reporting period, simply multiply the total taxable sales made in Canada (including GST) by 2.5%. To calculate the QST to be remitted, multiply the total taxable sales made in Québec (including GST and QST) by 2.7%. You must remit these amounts to Revenu Québec for each reporting period. The percentages of 2.5% and 2.7% may be used only by retailers and by wholesalers that purchase property for resale.

If you use the Quick Method, you cannot claim input tax credits (ITCs) or input tax refunds (ITRs) respecting your current operating expenses or the purchases you make to carry on your commercial activities, because the Quick Method percentages take these expenditures into account. However, you may claim ITCs and ITRs respecting expenditures you make to acquire land or property that entitles you to claim capital cost allowance on your income tax return.

If you use the Quick Method at the beginning of your fiscal year or as of the date of your registration, you may claim a credit. For GST purposes, this credit is equal to 1% of the first $30,000 in taxable sales (excluding zero-rated sales) made in your fiscal year; for QST purposes, it is equal to 1% of the first $32,250 in taxable sales (excluding zero-rated sales). Consequently, your GST remittance rate is 1.5% for the first $30,000 (GST included) in taxable sales, and your QST remittance rate is 1.7% for the first $32,250 (GST and QST included) in taxable sales. For taxable sales that exceed these thresholds ($30,000 for the GST and $32,250 for the QST), your GST remittance rate is 2.5% and your QST remittance rate is 2.7%.

You may use the Quick Method rates only if the property you purchase for resale represents at least 40% of your total annual taxable sales (including zero-rated sales). However, in calculating the cost of the property you purchase, you must not take into account purchases on which you are not required to pay GST and QST. If, as an antique dealer, you purchase about 65% of the property you intend for resale from persons who are not registered for the GST and QST (such as individuals who are not in business), the 40% threshold may not be reached. In that case, the GST remittance rate of 2.5% would be replaced by the rate of 5%, and the QST remittance rate of 2.7% would be replaced by the rate of 5.3%.

If you make taxable sales in provinces in which the harmonized sales tax (HST) is in effect, the remittance rates may vary according to the location of your business. They may also vary according to whether you collected 7% GST or 15% HST on your taxable sales.

For more information on the Quick Method of Accounting, consult the brochure *General Information Concerning the QST and the GST/HST* (**IN-203-V**).

Information on real estate transactions, the GST/HST and the QST

At this time of the year, many people are selling or purchasing real estate, either for commercial purposes or for personal use.

Before purchasing or selling real estate, you should find out how the GST/HST and the QST apply to your situation. There are various factors to consider. Are you planning to build a new home on a vacant lot that you own? Are you buying a vacant lot, a new home from a residential homebuilder, or an existing building that is used solely for commercial purposes or for both residential and commercial purposes? You also have to consider whether you are a GST/HST and QST registrant, and whether you will be using the property for commercial purposes.

As the purchaser of real estate, you must consider certain other questions in determining the applicability of the taxes, such as the following:

- Is the supplier an individual, a partnership, a corporation or some other entity such as a charity or non-profit organization?
- How is the property currently being used?

Before deciding to sell or purchase real estate, you can contact the **Revenu Québec** office in your area to find out more about how the GST/HST and the QST apply to the transaction. You can also consult the GST/HST Memoranda Series (Chapter 19, *Special Sectors: Real Property*) on the Web site of the **Canada Revenue Agency**. The GST/HST info sheets provide further information on issues such as sales of farmland and vacant land as well as sales of homes by individuals. For the QST, refer to the brochure *General Information Concerning the QST and the GST/HST* (**IN-203-V**). In most cases the rules for the GST also apply to the QST.

Note that you may be entitled to a **rebate** of the GST and QST paid on the purchase or construction of new housing.

Important clarification concerning the GST/HST and QST return

The amount to be entered in box 101 of the *GST/HST - QST Return* (form **FPZ-500-V**) is the sales figure in your books of account for the relevant reporting period. As a rule, this amount corresponds to your total taxable and zero-rated sales in Canada.

This amount also includes the other taxes and duties that you collected (for example, the specific duty on new tires and the specific tax on lodging), but excludes sales of financial services, sales of immovables that are capital property, sales of goodwill, zero-rated exports, as well as GST/HST and QST.

QST rebate for health-care services

In the Budget Speech of April 21, 2005, the Québec Minister of Finance announced that the federal measures relating to the **GST** rebate with respect to certain health-care services would be incorporated into the QST system. This means that certain charities, public institutions and qualifying non-profit organizations will be eligible for a 55% rebate of the QST paid in respect of expenses incurred in providing certain health-care services. The 55% rebate will apply to QST that becomes payable on property and services acquired on or after January 1, 2005, and will be available after the proposed federal legislation providing for the corresponding GST rebate comes into force.

Claiming the additional rebate amount

Registrant and non-registrant public service bodies must continue to file their rebate applications (form VDZ-387-V) and tax returns (form FPZ-500.AR-V or VDZ-471-V), as applicable, in the usual way and at the usual times in order to obtain their QST rebate at the current rate of 50%.

Until the proposed federal legislation comes into force, public service bodies may choose to claim the additional rebate amount of 5% (55% - 50%) by filing another rebate application with Revenu Québec, as follows:

- Complete a separate rebate application for each period.
- Use a **photocopy** of your blank *QST Rebate Application for Public Service Bodies* (form VPZ-387-V) or use form **VD-387-V**.
- At the top of the form, write "**Additional Rebate Amount**."
- Replace the rebate factor on line 5 by 0.05.
- Claim the additional rebate amount on line 5. No other amounts can be claimed on this "additional rebate amount" form. If you are a registrant, this amount must not be included in box 211 of your return.
- Mail this additional application to Revenu Québec, together with your regular application, at the address indicated on the form.

Once the proposed federal legislation has come into force, we will pay you the additional QST rebate amounts with applicable credit interest, calculated as of the 46th day following the date on which we receive your application claiming the additional rebate amount.

For further information, contact the **Revenu Québec** office in your area.

Payment of GST and QST using a joint cheque

In most cases, a person who acquires taxable property or services must pay GST and QST to the supplier of the property or services. The latter is required to collect these taxes and remit them to Revenu Québec when filing the GST-QST return, after deducting the applicable refunds.

As a rule, when the purchaser uses a cheque to pay for the property or services, the cheque is made out to the order of the supplier and covers the total amount of the transaction, that is, the cost of the property or services, plus GST and QST.

Occasionally, however, the purchaser issues a cheque that covers only the amount of the taxes and is made out jointly to the order of the supplier and Revenu Québec. **In this case, the cheque cannot be cashed by a financial institution or deposited in the supplier's account**, since it has not been endorsed by Revenu Québec.

In this situation, the only course for the supplier is to endorse the joint cheque and remit it along with the GST-QST return for the applicable reporting period. The cheque will then be cashed by Revenu Québec and credited to the supplier's GST-QST account.

If they prefer, the supplier and the purchaser may arrange for another method of payment.

Important

Revenu Québec cannot endorse a cheque and then return it to the supplier.

GST-QST rebate on a newly constructed or substantially renovated home

New improved forms now available for builders and individuals!

Revenu Québec wishes to inform you of the availability of new improved forms for builders and individuals who wish to obtain a GST-QST rebate on a newly constructed or substantially renovated home.

Before, to obtain the rebate, the builder and the individual were required to complete two forms: one for the GST rebate and another for the QST rebate. Now, both rebates are covered in one form that applies to a specific situation and contains all the required information concerning the GST and QST. Specific requirements are now covered by four new forms:

- *GST-QST New Housing Rebate Application: Rebate Granted by a Builder* (form **FP-2190.C-V**)
- *GST-QST New Housing Rebate Application: Owner of a New or Substantially Modified Home* (form **FP-2190.P-V**)
- *GST-QST New Housing Rebate Application: Owner of a New Home and Land Purchased from the Same Builder* (form **FP-2190.A-V**)
- *GST-QST New Housing Rebate Application: Owner of a Home on Leased Land or a Share in a Housing Co-Op* (form **FP-2190.L-V**)

New user-friendly dynamic PDF forms!

The new forms are also easier to complete because the electronic version is available in both static and dynamic PDF formats. Builders and individuals can use the dynamic PDF version to complete the forms without having to carry out the complex calculations that must be done in the static version. A few basic elements of information must be entered, such as the price of sale for the builder, and the calculations are done automatically.

As an interesting innovation, particularly for builders, the electronic form may be saved on computer, diskette, CD-ROM, etc., so it is no longer necessary to use the Internet to view or complete the form. For example, Adobe Acrobat can be used to save the information entered in the dynamic form, which can be retrieved for subsequent rebate applications. The forms filed by the builder can also be saved for future reference.

The information that was available in a guide is now included in the form, so individuals and builders have access to the information that specifically concerns them. For example, the form and guide for builders have been merged into a new form, which is only four pages long.

Tax on lodging in the Laurentides tourism region

As of July 1, 2005, a $2 tax on lodging applies to every sleeping-accommodation unit rented in an establishment located in the Laurentides tourism region. You can find out more about the tax in **Lodging**, or by referring to **information bulletin 2005-4** of the Ministère des Finances.

New rate for the tax on lodging in the Montréal and Laval tourism regions

As of July 1, 2005, the operator of a sleeping-accommodation establishment must collect the tax on lodging at the rate of 3%. The tax is calculated on the cost of an overnight stay for each sleeping-accommodation unit rented in an establishment located in the Montréal and Laval tourism regions. The new rate applies where the rental is billed after June 30, 2005, for a unit to be occupied after that date.

If the operator supplies other property or services (such as meals or entertainment) that are billed together with the sleeping-accommodation unit for a single price, the 3% tax must be calculated only on the portion of the amount charged that is attributable to the rental of the unit.

Where the rental of a sleeping-accommodation unit is billed to a travel intermediary (such as a travel wholesaler) who acquires it for resupply purposes (that is, to sell it to a third party), the operator must instead collect tax in the amount of $3 per overnight stay.

The operator of an establishment is not required to collect $3 per overnight stay from a travel intermediary if the price of the rental is fixed pursuant to an agreement entered into with the intermediary before July 1, 2005, and the units are to be occupied after June 30, 2005, and before April 1, 2006. In such a case, the operator must instead collect $2 per overnight stay.

For more information, contact the Revenu Québec office in your area.

For the Montréal tourism region, call 514 873-2600 or, toll-free, 1 866 440-2500.

For the Laval tourism region, call 450 972-3320 or, toll-free, 1 866 540-2500.

You can find out more about the tax in **Lodging**, or by referring to **information bulletin 2005-5** of the Ministère des Finances.

Tax on lodging: billing examples

The tax on lodging applies in the tourist regions in Québec which, through their tourist association, have requested that it apply. The tax is $2 per overnight stay or 3% of the price of an overnight stay, depending on the region. It must be collected each time a sleeping-accommodation unit in a prescribed establishment is supplied in a participating **tourist region**. Hotels, tourist homes, bed and breakfast establishments, hospitality villages and outfitting operations are prescribed establishments.

Operators of an establishment that is prescribed for purposes of the tax on lodging and located in a tourist region where the tax applies, including **small suppliers** that are not GST and QST registrants, must register for the tax on lodging. Operators of a sleeping-accommodation establishment that is opening for business must follow the procedure at Revenu Québec to register for the tax on lodging and, where applicable, the GST and QST.

Billing the $2 tax

The $2 tax is billed for each supply of a sleeping-accommodation unit, even if the unit is supplied free of charge. The tax may be included in the price of an overnight stay or listed separately in the written record of the rental. GST and QST are calculated on the total of the price plus the tax on lodging.

Example

A hotel operator rents out a room for one night.

Room		$104.00
Meals	+	$25.00
Movie	+	$9.50
Tax on lodging	+	$2.00
Subtotal		$140.50
GST ($140.50 x 7%)	+	$9.84
QST ($150.34 x 7.5%)	+	$11.28
Total		**$161.62**

Operators of a sleeping-accommodation establishment that are not GST and QST registrants (because they are small suppliers) must also collect the tax on lodging. In such cases, the tax is simply added to the amount of the rental.

Example

A room is rented in a bed and breakfast establishment for one night.

Room and breakfast		$51.50
Tax on lodging	+	$2.00
Total		**$53.50**

Billing the 3% tax

The 3% tax is calculated only on the cost of an overnight stay, regardless of what may be supplied with the sleeping accommodation and whether such supplies are included in the price. Thus, the value of breakfast, parking and other property or services supplied with sleeping accommodation must not be included in the price on which the tax is calculated. In calculating the tax, only fractions of tax greater than or equal to $0.005 are counted as $0.01. The tax is not collected if a sleeping-accommodation unit is supplied free of charge.

The 3% tax on lodging must be indicated in the written record of the rental in one of the following ways. If the price of an overnight stay is listed separately from the other property and services supplied, you may either separately list the price and the amount of the 3% tax on lodging or indicate that the price includes the 3% tax on lodging. If the price of an overnight stay is not listed separately from the other property or services supplied, the amount of the tax must be listed separately and identified as the 3% tax on lodging. If you collect GST and QST, you must calculate them on the total of the price plus the tax on lodging.

Example

A hotel operator rents out a room for one night and also supplies parking. There are two ways to indicate the tax.

Room		$110.00
Parking	+	$20.00
3% tax on lodging ($110 x 3%)	+	$3.30
Subtotal		$133.30
GST ($133.30 x 7%)	+	$9.33
QST ($142.63 x 7.5%)	+	$10.70
Total		$**153.33**
Room (this amount includes the 3% tax on lodging)		$113.30
Parking	+	$20.00
Subtotal		$133.30
GST ($133.30 x 7%)	+	$9.33
QST ($142.63 x 7.5%)	+	$10.70
Total		**$153.33**

Example

A hotel operator sells a package for two persons which includes one night's accommodation, one complete dinner and one breakfast. The tax on lodging is calculated on the price of the overnight stay ($105 x 3% = $3.15).

Package (this amount includes the 3% tax on lodging in the amount of $3.15)		$213.00
GST ($213.00 x 7%)	+	$14.91
QST ($227.91 x 7.5%)	+	$17.09

Total		**$245.00**

Operators of a sleeping-accommodation establishment that are not GST and QST registrants (because they are small suppliers) must also collect the tax on lodging. In such cases, the tax is simply added to the amount of the rental.

Example

A room is rented in a bed and breakfast establishment for one night. The tax on lodging is calculated on the price of the overnight stay ($46.50 x 3% = $1.40).

Room and breakfast		$51.50
3% tax on lodging	+	$1.40
Total		**$52.90**

Unit billed to a person acquiring it for resupply purposes

The tax on lodging must be collected in advance where a sleeping-accommodation unit is billed to a person (such as a travel agent, convention organizer or social club) that acquires it for purposes of resupply for a price. In a region where the $2 tax applies, $2 is added to the price of each unit supplied to such a person. In a region where the 3% tax applies, instead of calculating the tax at the rate of 3%, $3 is collected in advance for each sleeping-accommodation unit billed. The tax is subsequently collected by the person from the customer.

The tax on lodging of $2 or $3, depending on the region, must be collected if a sleeping-accommodation unit is supplied free of charge.

Example

A hotel operator bills a travel agent for 20 sleeping-accommodation units for one night. Subsequently, the travel agent bills the price of a room, including the tax on lodging, to each customer.

20 rooms for one night (20 x $90)		$1,800.00
$2 tax on lodging (20 x $2)	+	$40.00
Subtotal		$1,840.00
GST ($1,840.00 x 7%)	+	$128.80
QST ($1,968.80 x 7.5%)	+	$147.66
Total		**$2,116.46**
20 rooms for one night (20 x $90)		$1,800.00
$3 tax on lodging (20 x $3)	+	$60.00
Subtotal		$1,860.00
GST ($1,860.00 x 7%)	+	$130.20
QST ($1,990.20 x 7.5%)	+	$149.27
Total		**$2,139.47**

Amendments to the International Fuel Tax Agreement

Certain sections of the International Fuel Tax Agreement (IFTA) have been amended. The amended provisions came into force on January 1, 2005. You can consult the new version of the **Agreement**. The Agreement is no longer published in print form. It is now available only in electronic form, which allows for updates as soon as amendments are made.

The following sections have been amended: R910, R960, R1605 and R1630. The amendments deal mainly with the reporting requirement, filing and remittance due dates, as well as the length of the comment period for ballot proposals, which has been reduced.

Obligations respecting raw tobacco

Further to the introduction of new measures applicable to persons who import, store or transport **raw tobacco** in Québec, the *Regulation to amend the Regulation respecting the application of the Tobacco Tax Act* was made on June 23, 2005. This regulation sets out the obligations of importers, storers and carriers of raw tobacco with regard to keeping registers, manifests or way-bills, and filing reports at the request of the Minister of Revenue.

Carriers are required to complete manifests or way-bills in order to indicate, among other things, the total weight in kilograms of the bales of raw tobacco transported, the address and date of each unloading, as well as the number of bales of raw tobacco unloaded at each place and their total weight in kilograms.

Carriers are also required to keep a register containing, among other things, the dates on which the bales of raw tobacco are taken charge of and delivered, the name and address of the shipper and of the receiver, as well as the number of bales of raw tobacco and their total weight in kilograms.

The register to be kept by storers is to indicate, among other things, the dates on which the bales of raw tobacco are received and shipped, the number of bales received and shipped, and the name and address of the shipper and of the receiver.

Framework Convention on Tobacco Control

On December 15, 2004, the National Assembly of Québec approved the application of the Framework Convention on Tobacco Control (FCTC), an international public health treaty under the responsibility of the World Health Organization. The FCTC, which came into force on February 27, 2005, provides for commitments and obligations respecting many aspects of tobacco control, including tax measures, public health programs, restrictions on tobacco advertising, a ban on tobacco sales to minors, and measures to prevent illicit trade in tobacco products.

In order to comply with the FCTC, Québec must require the identification of certain smaller-volume tobacco products that were not previously covered by identification standards. These products include chewing tobacco, snuff, pipe tobacco, cigars, and leaf tobacco.

The Québec government therefore made the *Regulation to amend the Regulation respecting the application of the Tobacco Tax Act* on June 23, 2005. Under the regulation, the above-mentioned tobacco products must now be identified in accordance with Québec identification standards.

Manufacturers and importers are considered to have met these standards if the packages of the products concerned bear the stamp required under the *Stamping and Marking of Tobacco Products Regulations*, a federal regulation under the *Excise Tax Act, 2001*. The new Québec requirement will thus not entail additional costs.

Awareness campaign on illegal tobacco products

A major awareness campaign on the consequences of selling illegal tobacco products is being launched in Québec this fall. The campaign participants are Revenu Québec, the Canada Revenue Agency (CRA), the Royal Canadian Mounted Police (RCMP) and the principal tobacco retailers' associations.

The initial phase of the campaign is to inform retailers and retailers' associations of the negative consequences of selling illegal tobacco products, and to familiarize them with the rules governing identification marks on tobacco products as well as with the related legislation and regulations.

Several activities are planned, such as the distribution of an information folder, meetings with wholesalers' and retailers' associations, information sessions, and visits with merchants. Revenu Québec, the CRA and the RCMP will also meet with merchants at events such as seminars.

If you have questions about illegal tobacco products, witness illegal transactions, or believe that you are a victim of unfair competition, call the Tobacco Hotline at 1 866 939-8672.

Adjustment to the holding rule for short-term securities

The rule requiring that short-term securities be held for a minimum period of 120 days for the purposes of the tax on capital now also applies to the shares of banks or savings and credit unions, as well as to loans and advances to corporations related to such financial institutions.

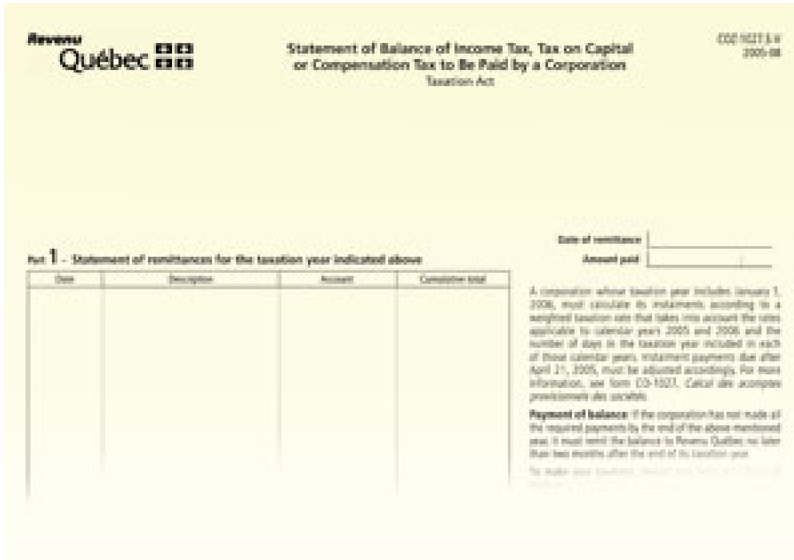
For more information concerning the broader application of the 120-day rule, refer to **Information Bulletin 2004-6** of the Ministère des Finances.

Progressive deduction in the calculation of paid-up capital of associated corporations

Under a measure implemented in the 2003 calendar year, a corporation may deduct an amount of its paid-up capital. To claim the deduction, a corporation must complete form **CO-1137.A**, *Déduction de 1 million de dollars*. The maximum deduction is $250,000 for the 2003 calendar year, $600,000 for 2004 and $1 million for 2005. Since the progressive deduction is applied to the paid-up capital of small corporations, the measure provides for a reduction of the maximum deduction.

Members of a group of associated corporations must complete (and file with Revenu Québec) form **CO-1137.E**, *Entente relative à la déduction de 1 million de dollars*, as they are required, for their taxation year that ends in a same calendar year, to allocate the maximum deduction among themselves on a percentage basis (for a cumulative total of 100%). For further information, see the guide to filing the corporation return (**CO-17.G-V**).

Balance due and instalment payments (corporations)



Revenu Québec

Statement of Balance of Income Tax, Tax on Capital or Compensation Tax to Be Paid by a Corporation

Taxation Act

Part 1 - Statement of remittances for the taxation year indicated above

Date	Description	Account	Cumulative total

Date of remittance

Amount paid

A corporation whose taxation year includes January 1, 2006, must calculate its instalments according to a weighted taxation rate that takes into account the rates applicable to calendar years 2005 and 2006 and the number of days in the taxation year included in each of those calendar years. Instalment payments due after April 21, 2005, must be adjusted accordingly. For more information, see form CO-1027, *Calcul des acomptes provisionnels des sociétés*.

Payment of balance: If the corporation has not made all the required payments by the end of the above mentioned year, it must remit the balance to Revenu Québec no later than two months after the end of its taxation year.

You made instalment payments as required, but realize at the end of the corporation's taxation year that you must pay an additional amount. The balance due must be paid within two months following the end of the taxation year even though the deadline for filing the corporation income tax return is six months after the end of the taxation year.

Deductibility of investment expenses

A limit on the deductibility of investment expenses was announced in the **Budget Speech of March 30, 2004**. The notions of "investment expenses" and "investment income" were subsequently changed.

For the purposes of this measure, investment income includes taxable net capital gains attributed by a trust to one of its beneficiaries that are not otherwise taxable capital gains eligible for the capital gains exemption. Similarly, the taxable portion of capital gains eligible for the capital gains exemption that exceed the $500,000 threshold is considered to be investment income.

During the transition period, deductions relating to resources arising from the acquisition of flow-through shares are not subject to the limit on the deductibility of investment expenses.

For more information, consult **information bulletin 2005-3**, published by the Ministère des Finances.

New Clic Revenu service for employers: Deduction of support payments

Employers can use the new electronic **deduction of support payments** service to enter, in their files, data pertaining to support deducted at source from the remuneration of employees who have a support obligation, and to transmit the data to Revenu Québec by Internet. Employers that have an account at a participating financial institution can remit the amounts to Revenu Québec by preauthorized debit or online payment. They can also view data respecting the deductions that they have already remitted using this new service.

To enter data on support deductions in their file and remit the deductions electronically, employers must be registered for **Clic Revenu** services.

For registration information, call 1 866 423-3234 Mondays, Tuesdays, Thursdays and Fridays from 8 a.m. to 6 p.m. and Wednesdays from 10 a.m. to 6 p.m.

Use our **demo** to find out more about Clic Revenu services. The demo is designed to show Québec businesses and individuals in business that Clic Revenu services are a fast, convenient, practical, efficient and secure way to meet their obligations to Revenu Québec.

Home-support services for seniors

Persons aged 70 or over may claim a tax credit equal to 23% of their eligible expenses for home-support services. To qualify, seniors must meet the applicable conditions and pay for the services by means of the "service employment paycheque" (SEP).

Certain rules applicable to the tax credit have recently been relaxed, as outlined below.

The legal representative of a deceased person may now issue a payment order for expenses related to eligible home-support services, provided the person was registered with the SEP manager immediately before death, and provided the services were rendered after the person turned 70 and before death. The amounts required to pay these expenses must be withdrawn from the bank account determined by the legal representative. This change applies where the death occurs after August 31, 2005.

Where the death occurred before September 1, 2005, Revenu Québec may now determine or revise the credit to which a deceased person is entitled for the year of death. In addition to other eligible expenses, Revenu Québec may take into account any expense that the person's legal representative pays for by a means other than the SEP, provided the expense is related to eligible services rendered after the person turned 70 and before death. The following conditions must also be met:

- The person was registered with the SEP manager immediately before death.
- The expense was billed after the person's death or in the 30-day period ending on the date of death.

The legal representative of a person who died before September 1, 2005, may request an adjustment to the person's income tax return by filing form **TP-1.R-V**, *Request for an Adjustment to an Income Tax Return*.

For more information, consult **information bulletin 2005-06**, published by the Ministère des Finances.

Parental insurance premiums

As of January 1, 2006, the **Québec parental insurance plan** (QPIP) will pay benefits to any eligible worker who takes a maternity, paternity, adoption or parental leave.

This new plan is administered by the Ministère de l'Emploi et de la Solidarité sociale. It replaces and enhances, for Québec residents, the measures provided to parents under the Employment Insurance program. It also covers more people, including self-employed workers.

Revenu Québec is responsible for collecting the QPIP premium. **As of January 1, 2006, employees, employers and self-employed workers will be required to pay the new QPIP premium.** However, the amount of the employment insurance premium will be reduced.

Employees and employers

Salaries and wages paid on or after January 1, 2006, are subject to the new QPIP premium. As a rule, employers are required to deduct the employee QPIP premium from the salaries and wages paid to employees.

Employers are also required to pay the employer QPIP premium.

Certain Revenu Québec forms used by employers will be modified. For example, in 2006, a new box for the QPIP will be added to the source deductions remittance form (TPZ-1015.R.14.1-V), which will be in force as of January 2006. You can view a **draft of the remittance slip** that appears on this form.

Complete information on the QPIP premium and the applicable rates can be found in the *Guide for Employers* and accompanying documents. You will also find information on the subject elsewhere on our site.

Self-employed workers

If you are a self-employed worker, you will be covered by the QPIP as of January 1, 2006, and will be required to pay a premium as of the 2006 taxation year, when filing your income tax return. This premium will be calculated on your business's net income.

If you are required to make instalment payments in 2006, you will also have to remit instalments for the QPIP premium.

Interpretation bulletins

In the months of April through August 2005, Revenu Québec published 50 interpretation bulletins, of which 36 deal with income tax and 14 with consumption taxes. The numbers and subjects of the bulletins are listed below (the letter R in a number indicates that the bulletin has been revised). Interpretation bulletins can be purchased from **Publications du Québec**, either individually (price varies according to the number of pages) or by subscription. For information about subscriptions or the availability of bulletins, call 418 643-5150 or 1 800 463-2100.

Income tax

ADM. 1/R6	Revenu Québec Organization Chart
ADM. 1.1/R1	Direction des lois sur les taxes et l'administration fiscale
ADM. 1.2/R2	The "Interprétation Revenu Québec" Bulletins, Their Scope and Their Classification
ADM. 1.4	Direction des lois sur les impôts
ADM. 3/R7	List of Prescribed Income Tax and Consumption Tax Forms Available to the Public
IMP. 1-1/R1	Commencement of a Corporation's Fiscal Period
IMP. 6.1-1/R1	Fiscal Period Exceeding 365 Days
IMP. 6.1-1/R2	Fiscal Period Exceeding 365 Days
IMP. 7-2	Beginning of a Corporation's Fiscal Period
IMP. 12-1/R3	Establishment of a Taxpayer
IMP. 12-2/R2	Establishment of a Corporation that Leases an Immovable Situated in Québec
IMP. 14-1/R2	Attribution of Gross Revenue to an Establishment When a Corporation Owns Land in a Province
IMP. 21.12-1/R1	Income Bonds and Income Debentures
IMP. 37-1/R14	The Value of Certain Taxable Benefits Received or Enjoyed by Hotel or Restaurant Employees by Reason of Their Office or Employment
IMP. 39.3-1/R1	Allowance Paid to a Member of a Municipal, Supramunicipal or School Body for Expenses Incident to the Discharge of Duties
IMP. 80-5/R3	Taxpayer Working in the Field of Visual Arts, Arts and Crafts or Literature
IMP. 81-2/R1	Source of Income
IMP. 87-7	Prescribed Amounts of Assistance
IMP. 128-11/R2	Deductibility of Fines and Penalties
IMP. 135.2-1/R1	Personal Services Business
IMP. 429-1/R2	Filing of (a) Separate Fiscal Return(s) for a Deceased Taxpayer: Taxation Years Prior to 1988
IMP. 429-2/R1	Filing of One or More Separate Fiscal Returns for a Deceased Taxpayer
IMP. 489-1/R1	Non-institutional Lodging Resources
IMP. 1086-1/R1	The Obligation to Provide Information in Respect of a Manpower Expenditure
IMP. 1086-2/R2	Obligation to Provide Information in Respect of a Labour Expenditure
IMP. 1086-3/R1	Partnership Information Return
IMP. 1136-5/R4	Unrealized Foreign Exchange Loss
IMP. 1138-1/R4	Reduction of Paid-up Capital: Eligible Investments
IMP. 1138-5/R2	Reduction of Paid-up Capital
IMP. 1138-7	Advances Made to Other Corporations
IMP. 1138.1-1/R2	Deduction of a Maximum Amount of $400,000 in Computing Paid-up Capital
LEG. 2005-1	Assent to Bill 100 – Budget Act N° 2 giving effect to the Budget Speech delivered on 30 March 2004 and to certain other budget statements

LEG. 2005-2	Assent to Bill 108 – An Act to Amend the Act respecting parental insurance and other legislative provisions
LEG. 2005-3	Assent to Bill 110 – An Act to amend the Act respecting the legal publicity of sole proprietorships, partnerships and other legal persons and other legislative provisions
LEG. 2005-4	Regulation to amend the Regulation respecting the application of the Tobacco Tax Act
LMR. 28-1/R67	Interest Rates
Consumer taxes	
ADM. 1/R6	Revenu Québec Organization Chart
ADM. 1.1/R1	Direction des lois sur les taxes et l'administration fiscale
ADM. 1.2/R2	The "Interprétation Revenu Québec" Bulletins, Their Scope and Their Classification
ADM. 1.4	Direction des lois sur les impôts
ADM. 3/R7	List of Prescribed Income Tax and Consumption Tax Forms Available to the Public
CAR. 8/R2	Refund to Truck Lessors of the Tax Paid on Fuel
LEG. 2005-1	Assent to Bill 100 – Budget Act N° 2 giving effect to the Budget Speech delivered on 30 March 2004 and to certain other budget statements
LEG. 2005-2	Assent to Bill 108 – An Act to amend the Act respecting parental insurance and other legislative provisions
LEG. 2005-3	Assent to Bill 110 – An Act to amend the Act respecting the legal publicity of sole proprietorships, partnerships and other legal persons and other legislative provisions
LEG. 2005-4	Regulation to amend the Regulation respecting the application of the Tobacco Tax Act
LMR. 28-1/R67	Interest Rates
TVQ. 108-1/R2	Health care institution, within the meaning of paragraph 2 of the definition of that expression in section 108 of the Act respecting the Québec sales tax, and meals acquired or supplied by a health care institution
TVQ. 223-1/R1	Self-supply of a Residential Complex
TVQ. 226-1	Self-supply of an Addition to a Multiple-unit Residential Complex

In your interest

GST

Prescribed interest rates are adjusted quarterly to reflect market trends. Penalties and interest related to the GST are compounded daily. The tables below show the annualized interest rates and penalty rates for the quarterly periods from October 1, 2004, to September 30, 2005.

Period	Annualized interest rate (%)	Penalty rate (%)
2004		
Oct. 1 – Dec. 31	2.3870	6
2005		
Jan. 1 – Mar. 31	2.4333	6
Apr. 1 – June 30	2.4066	6
July 1 – Sept. 30	2.3804	6

***Act respecting the Québec sales tax*, and other specific statutes**

The following is a list of interest rates respecting refunds payable by and debts owed to Revenu Québec, for the quarterly periods from October 1, 2004, to September 30, 2005.

2004		**Interest rate (%)**
Oct. 1 – Dec. 31	Refunds	1.25
	Debts	7
2005		
Jan. 1 – Mar. 31	Refunds	1.50
	Debts	7
Apr. 1 – June 30	Refunds	1.65
	Debts	7
July 1 – Sept. 30	Refunds	1.55
	Debts	7

The penalty rates are:

- 7% of the amount to be paid or remitted further to the application of a fiscal law, where the amount is no more than seven days late
- 11% of the amount to be paid or remitted further to the application of a fiscal law, where the amount is no more than 14 days late
- 15% in all other cases

For further information, consult the section on **interest rates**.

New publications

In recent months, Revenu Québec has published or updated the following documents:

- *Collection of Consumption Taxes by Producers of Alcoholic Beverages* (**IN-263-V**, 2005-03)
- *Non-Profit Organizations and Taxation* (**IN-305-V**, 2005-03)
- *Support Payments: Last-Resort Financial Assistance* (**IN-905-V**, 2005-03)
- *Checklist for New Businesses: Source Deductions and Employer Contributions* (**IN-111-V**, 2005-03)
- *QST, GST/HST and the Fuel Tax: How They Apply to Freight Carriers* (**IN-218-V**, 2005-05)
- *An Overview of the Fuel Tax Act* (**IN-222-V**, 2005-04)
- *Carriers and the International Fuel Tax Agreement* (**IN-231-V**, 2005-05)
- *New Electronic Service for Users of Clic Revenu: Deduction of Support Payments* (**IN-910-V**, 2005-05)
- *Prescription Drug Insurance* (**IN-113-V**, 2005-07)
- *Collection of Tax Debts and Support Debts* (**IN-200-V**, 2005-08)

The Canada Revenue Agency has published or updated the following documents:

GST/HST technical information bulletins

- *Substantial Renovations and the GST/HST New Housing Rebate* (**B-092**)

GST/HST policy statements

- *Carrying on Business in Canada* (**P-051R2**)
- *Insurance Adjustment Services (Formerly Licensing of Insurance Adjusters)* (**P-056R2**)
- *Meaning of Permanent Establishment in Subsection 123(1) of the Excise Tax Act (the Act)* (**P-208R**)

GST/HST guides

- *The Special Quick Method of Accounting for Public Service Bodies* (**RC4247**)

GST/HST info sheets

- *Auctioneers* (**GI-010**)
- *Water Haulers* (**GI-011**)

GST/HST memoranda series

- *General Eligibility Rules* (**8-1**)

Seventh edition of Québec tax legislation now available

A new edition of Québec tax legislation is now available (in French only) from **Publications du Québec**. The *Codification administrative des lois et des règlements fiscaux ainsi que des lois et des règlements connexes* is in two volumes, entitled *Impôts* (income tax) and *Taxes* (consumption taxes).

All about *Tax News*

Tax News is an electronic information bulletin posted quarterly by Revenu Québec. It contains articles on the application of the GST and the HST, and incorporates the contents of ***GST/HST News***, a newsletter published by the Canada Revenue Agency (CRA). *Tax News* also contains articles on the administration of the QST and other Québec consumption taxes, as well as on the administration of Québec income tax.

Tax News is provided for information purposes only. The articles it contains do not replace the laws, regulations or administrative texts to which they refer, or proposed amendments to laws or regulations. They do not constitute a legal interpretation of the *Act respecting the Québec sales tax*, the *Excise Tax Act* or any other Québec or federal statute.

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Suggestions and comments can be sent by **secure e-mail**.