

Tax News

First quarter 2000

In Brief

Important message for corporations

The Ministère du Revenu du Québec is changing its procedure for sending remittance slips to corporations. From now on, corporations that are required to make monthly remittances will receive **three remittance slips each quarter**, instead of one each month. Three reply envelopes will be sent with the slips. This change will be brought in gradually over a four-month period in order to take into account the end-date of each corporation's fiscal period.

Use one of the slips and one of the envelopes to make your payment for the first month; keep the others for the remittances to be made the following two months. This change **does not modify** the date of your payments.

Reduction in the QST rebate for hospitals

As of April 1, 2000, hospital authorities will be entitled to claim a rebate of only 60% of the QST that is payable after March 31, 2000, on the purchase of supplies acquired for hospital activities, where the QST in question is not paid by April 1, 2000, and is not subject to an input tax refund (ITR).

Employers and source deductions of support payments

In April, employers were sent the most recent update of the information bulletin *Additional Information concerning the Deduction at Source of Support Payments (PZ-655-V)*, along with the remittance form needed to remit their source deductions and employer contributions to the Ministère du Revenu. The bulletin may be consulted on the Web site of the Ministère, at www.revenu.gouv.qc.ca. Another bulletin containing more general information was updated as well. Entitled *Deduction at Source of Support Payments (PZ-648-V)*, it is also posted on the Web site of the Ministère.

Taxable legal aid services

Professional legal aid services are tax-exempt, when rendered under a legal aid program authorized by the Québec government and when supplied by a corporation responsible for administering legal aid under the Legal Aid Act. However, where lawyers and notaries in private practice are mandated to supply professional legal aid services under a legal aid program, they must pay tax on the majority of services they acquire for consumption or use in carrying out the mandate.

This means that GST and QST registrants such as bailiffs, stenographers and various other specialists must collect the taxes when supplying their services to lawyers and notaries who provide professional services under a legal aid program. However, the lawyers and notaries may, if registered for GST and QST purposes, claim an input tax credit (ITC) and an input tax refund (ITR) with respect to the tax paid on the acquisition of such services.

For further details, refer to interpretation bulletin TVQ.158-1, *Professional Legal Aid Services*.

Contents

New Fiscal Measures.....	2	Passenger Transportation Services.....	6	New Publications.....	9
Tax Credit respecting a Severe and Prolonged Mental or Physical Impairment.....	3	Tax Status of Flying Time.....	6	In Your Interest.....	10
A New Tax Credit.....	4	Vocational Schools.....	7	Interpretation Bulletins.....	11
Support Payments: Obligations of Employers.....	4	Relaxation of Rules for Agents in the Tobacco and Fuel Sectors.....	8	More Offices to Serve You Better.....	12
Employer Identification Number.....	5	ITRs for Large Businesses with Respect to 1 800, 1 888 and 1 877 Telephone Services.....	8	QST Payable on the Sale of Automotive Vehicles: Reminder.....	14
Benefits Related to the Use of Automobiles.....	5	Sale or Lease of a Road Vehicle: How the GST and QST Apply to Certain Fees Related to the Registration of Rights.....	9	A Whole New Look for Our Web Site.....	15

New Fiscal Measures That Apply to the 1999 Income Tax Return

Each year, new fiscal measures are announced which affect the calculation of your income tax payable. The principal changes pertaining to the 1999 personal income tax return are outlined below.

Improvements to the simplified tax system

Certain deductions, which previously could be claimed only in the general income tax return, may now be claimed in the simplified income tax return. These include the deduction respecting the repayment of amounts overpaid, the deduction respecting an amount to be repaid in the federal income tax return with respect to benefits received under social programs, and the deduction respecting transfers to a registered pension plan (RPP), a registered retirement savings plan (RRSP), a registered retirement income fund (RRIF) or an annuity. In addition, the amount respecting a severe and prolonged mental or physical impairment may now be claimed in the simplified income tax return in respect of an individual, the individual's spouse or a dependant.

These changes also apply to the 1998 taxation year. If you are entitled to one or more of these deductions for 1998, you should contact the Ministère du Revenu du Québec in order to have your return for that year reviewed.

De facto spouse

Since June 16, 1999, the Ministère du Revenu has recognized same-sex spouses as de facto spouses.

Tax credit for child-care expenses

The limit respecting child-care expenses has been raised from \$5,000 to \$7,000 for children under 7 years of age or children of any age having a severe and

prolonged mental or physical impairment. It has been raised from \$3,000 to \$4,000 for children between the ages of 7 and 16. In addition, the amount of this tax credit may now be divided between spouses.

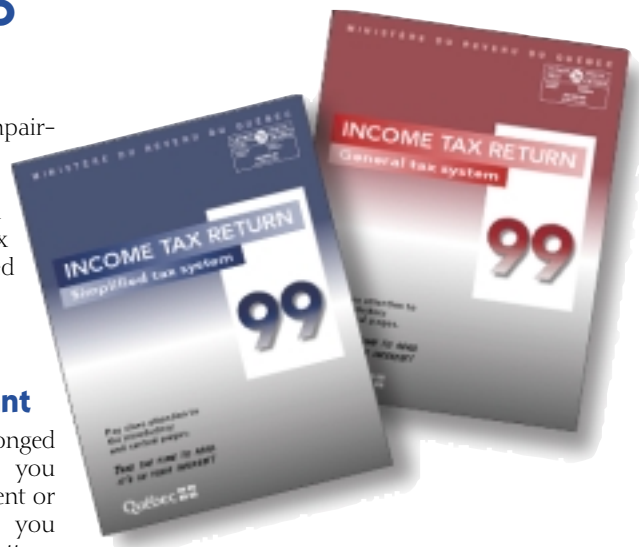
Expenses paid for the services of an attendant

If you have a severe and prolonged mental or physical impairment, you may deduct, from your employment or business income, the expenses you incurred for the services of an attendant, where you required care in order to carry out employment duties, to actively carry on a business or to carry out research or similar work for which you received a grant. The expenses may be deducted on either the general or the simplified income tax return.

This change also applies to the 1998 taxation year. If you are entitled to this deduction for 1998, you should contact the Ministère du Revenu du Québec in order to have your return for that year reviewed.

Income-averaging measure for owners of woodlots affected by the ice storm

If you received amounts under one of the financial and technical assistance programs implemented by the Ministère des Ressources naturelles or the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation with regard to the damage caused to private woodlots by the ice storm of January 5 to 9, 1998, you may be entitled to request that your income from the sale of timber from these woodlots for taxation years 1999 to 2002 be averaged.



Amount respecting a severe and prolonged mental or physical impairment

You are entitled, beginning in 1999, to claim the amount respecting a severe and prolonged mental or physical impairment if, because of an illness, you were required to spend a lengthy period of time (14 hours or more per week), several times a week, on therapy (prescribed by a physician) that was essential to the maintenance of your vital functions and if this situation continued during a period of 12 months or more.

Revocation of the registered home ownership savings plan (RHOSP)

Amounts accumulated in your RHOSP must be included in your income for 1999, as your plan is deemed to have been revoked on December 31, 1999.

Tax Credit respecting a Severe and Prolonged Mental or Physical Impairment

Elimination of "retroactive" assessments concerning the tax credit

In recent years, a number of taxpayers have complained to the Ministère du Revenu because they were issued a notice of reassessment on which their claim for the tax credit respecting a severe and prolonged mental or physical impairment was disallowed for past years.

The Ministère du Revenu generally has three years in which to carry out an in-depth review of an income tax return, and the reassessments referred to above were made in the course of the normal review process. However, in response to concerns expressed by taxpayers, the Ministère has decided to ensure that once a claim for the tax credit respecting an impairment is accepted, the claim will not subsequently be disallowed. The Ministère has also made efforts to provide clearer and more complete information respecting eligibility for the tax credit, particularly on the prescribed form that taxpayers must submit in order to claim the credit. Finally, further to recommendations made by the Minister of Revenue at the beginning of 1999, certain eligibility criteria have been relaxed.

In November 1999, the Ministère du Revenu began a review of taxpayer files in order to take these changes into account and update its records accordingly.

New mechanism for validating eligibility for the tax credit

In order to validate and update its records, the Ministère du Revenu published a new version of prescribed form TP-752.0.14-V in the fall of 1999. The form, entitled *Certificate respecting an Impairment*, was sent to 50,000 persons who had previously obtained the tax credit. In its cover letter, the Ministère asked these persons to submit a duly

completed copy of the form with their next income tax return, so that their eligibility for the tax credit could be verified.

The information submitted by these persons on the *Certificate respecting an Impairment* will be validated at the time of the initial processing of their 1999 income tax return. Similarly, when a person is claiming the tax credit for the first time, the information submitted on the *Certificate respecting an Impairment* will be validated as part of the initial processing of his or her income tax return. Validation of the certificate at the time of initial processing will henceforth be normal procedure. However, persons whose impairment is severe but not permanent will still have to submit a new certificate as required; this is also the case for persons whose health has improved and who no longer meet the eligibility requirements for the tax credit.

In summary, a person who has claimed the tax credit respecting a severe and prolonged mental or physical impairment for a year prior to 1999, and who wishes to continue to claim the credit, must submit the *Certificate respecting an Impairment* (form TP-752.0.14-V). However, even if the information on the certificate shows that the person is not eligible for the tax credit, the Ministère du Revenu will not disallow the credit for past years.

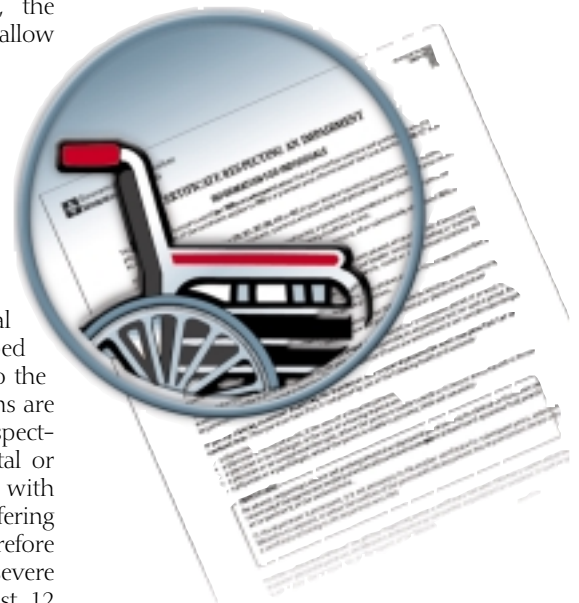
Broadening of certain eligibility criteria

Under an amendment to the Taxation Act that applies to 1999 and subsequent taxation years, persons who must spend a lengthy period of time, several times a week, on therapy (prescribed by a physician) that is essential to the maintenance of their vital functions are now eligible for the tax credit respecting a severe and prolonged mental or physical impairment. Persons with **cystic fibrosis** and persons suffering from **kidney failure** may therefore claim the credit, provided the severe effects of their illness last at least 12 months.

Further to another amendment (also effective in 1999), the criteria used to determine whether a person's ability to speak or to hear is markedly restricted have been broadened. Moreover, **respiratory problems** are now taken into account in determining whether a person's ability to walk, eat or get dressed unaided is markedly restricted.

The eligibility criteria for the tax credit respecting a severe and prolonged mental or physical impairment are described on form TP-752.0.14-V.

As part of the process of reviewing and updating information on the tax credit, the Ministère has consulted taxpayers, physicians, associations for persons with disabilities, the Office des personnes handicapées du Québec, and the Québec ombudsman. We are confident that these exchanges will contribute to improved relations between the Ministère du Revenu and taxpayers.



A New Tax Credit



Under a measure that came into effect on January 1, 2000, persons 70 years or older may now claim a tax credit respecting expenses they incur for certain services required in order to continue living in their own home.

The tax credit respecting home-support services for seniors may be claimed throughout the year, each time payment for eligible services is made, until the maximum amount of the credit (\$2,760) is reached. Seniors

wishing to obtain the credit must first authorize the Services de paie Desjardins, which manages the centre responsible for processing service employment paycheques (SEP), to withdraw from their bank account the amounts necessary to cover the expenses. The ceiling on expenses giving entitlement to the credit is \$12,000 per year.

The services eligible for the purposes of the credit are listed in the issue of *Tax News* published for the fourth quarter of 1999, and in the brochure *The Tax Credit respecting Home-Support Services for Seniors* (IN-102-V), which can be



obtained from any office of the Ministère du Revenu du Québec or from any caisse populaire Desjardins

Note:

In the article "A New Tax Credit for Persons 70 Years or Older" (page 8 of the aforementioned issue of *Tax News*), the section entitled "Is the service provider an employee or a business?" states that where the service provider is considered an employee of the recipient of the services, the recipient must meet the usual obligations of an employer. However, the administrative tasks of employers are assumed by the SEP processing centre, not by the recipient of the services.

Support Payments: Obligations of Employers

Two methods of collection exist under Québec's support-payment collection system. One method involves the deduction of support at source: as a rule, the employer of a person required to pay support withholds the amount concerned from the employee's wages. The other method is the payment order, under which the person required to pay support makes payments directly to the Ministère du Revenu. In some cases, both collection methods are used with regard to the same person.

Obligations of the employer

When support payments are deducted at source, the employer has an important role to play in ensuring that the collection system works efficiently.

The employer must withhold the amount concerned from the employee's wages, remit the amount to the Ministère du Revenu within the time period indicated on the deduction notice, and provide the Ministère with information about the source deductions when so requested.

Amounts deducted as support must be kept separate from the employer's own funds. In this way, if the employer goes bankrupt, or if the employer's assets are liquidated or transferred, the amounts are not treated as assets of the employer.

The employer is also required to notify the Ministère du Revenu if the employee covered by the deduction notice no longer receives wages (for example, if the employee loses his or her job). When the Ministère grants a release (a document that cancels the deduction notice), the employer must stop making source deductions respecting support payments. The employer must also notify the Ministère of any garnishment applicable to the employee's wages, regardless of whether the seizure by garnishment was already in effect on the date of the deduction notice, or came into effect after that date.

An employer cannot refuse to hire an individual because the individual is covered by the support-payment collection system. An employer who does so is liable for damages.

Sanctions

Substantial penalties are provided for in the following cases:

- An employer who fails to withhold support or to remit the amount of support withheld is liable to a fine of at least \$100 but not more than \$5,000 for each support-payment file concerned.
- An employer who fails to notify the Ministère that the employee no longer receives wages, who fails to provide information respecting the

source deductions, who provides false information, or who impedes the work of auditors is liable to a fine of at least \$100 but not more than \$1,000 for each support-payment file concerned.

- An employer who fails or refuses to withhold support becomes solidarily liable, along with the person required to pay support, for the amount concerned. Moreover, an employer who fails or refuses to remit to the Ministère the amount withheld becomes liable (in lieu of the person required to pay support) for the amount concerned.





Employer Identification Number

You may find yourself wondering whether you can keep the same employer identification number following an amalgamation or winding-up of your business, a change in shareholders, a death, or a cessation of business activities. This article gives you the answer applicable to each of these situations.

Amalgamation

The new corporation resulting from an amalgamation may keep the corporate name of one of the predecessor corporations, or adopt a new name. It is nevertheless obliged to apply to the Ministère du Revenu for a new employer identification number. In addition, the new corporation must submit form LM-1-V (*Application for Registration*) to the Ministère in order to have the funds in the account or accounts that are to be closed transferred to its active account. A copy of the company's new instrument of incorporation must be enclosed with the form.

Business closing or sale of assets

When a person ceases to carry on a business, the person's employer identification number also ceases to exist. If the same person subsequently starts up a new business, he or she must submit form LM-1-V (*Application for Registration*) to the Ministère in order to obtain a new employer identification number.

Winding-up

When a business is wound up, the business affairs in which it was engaged cease or, in some cases, are taken over by the head office. The employer identification number of the business must therefore be cancelled.

Change in shareholders (or sale of shares or charter)

In the case of a change in shareholders, the charter under which a corporation is incorporated remains the same, and the corporation therefore retains its employer identification number.

Death (in the case of a sole proprietorship or a partnership)

If a sole proprietor or a partner dies, and another person takes over the operation of the business as part of the administration of the estate, the same employer identification number is retained until the estate is settled. However, if the business is sold (or transferred to a family member), the new owner must apply for a new number.



Benefits Related to the Use of Automobiles: Deduction Limits and Prescribed Rates for 2000

In December 1999, changes were announced with respect to the deduction limits and prescribed rates applicable to benefits related to the use of an automobile. The changes, which took effect at the beginning of 2000, are outlined below:

- The ceiling on the capital cost of passenger vehicles, for the purposes of capital cost allowance, was raised from \$26,000 to \$27,000 (plus GST and QST) for purchases made after 1999.
- The limit on deductible leasing costs was raised from \$650 to \$700 per month (plus GST and QST) for leases entered into after 1999. Under a separate restriction, deductible leasing costs are prorated where the value of the vehicle exceeds the capital cost.
- The limit on tax-exempt allowances paid by employers to employees was raised from \$0.35 to \$0.37 per kilometre for the first 5,000 kilometres, and from \$0.29 to \$0.31 for each additional kilometre.
- The maximum allowable interest deduction respecting amounts borrowed to purchase an automobile was not changed; it remains \$250 per month.
- The prescribed rate used to determine the value of the taxable benefit related to the personal portion of automobile operating expenses paid by employers was raised from \$0.14 to \$0.15 per kilometre. For individuals whose principal occupation is selling or leasing automobiles, the prescribed rate is \$0.12 per kilometre (up from \$0.11).



Passenger Transportation Services

On August 12, 1999, the federal Minister of Finance announced several proposals aimed at simplifying compliance with GST/HST rules and reducing administrative costs for the passenger transportation sector. The proposals include

- eliminating the requirement that payment for air travel from the United States (except Hawaii) or St. Pierre and Miquelon be tendered outside Canada in order for the transportation service to be zero-rated;
- zero-rating the supervision of an unaccompanied minor, where this service is provided in conjunction with the supply of a zero-rated passenger transportation service;

- zero-rating the issue, delivery, alteration, replacement or cancellation of a ticket, voucher or reservation in respect of a zero-rated passenger transportation service;
- zero-rating services supplied by an agent to a carrier with respect to a zero-rated passenger transportation service provided by the carrier; and
- deeming certain services relating to a passenger transportation service to have been supplied in the province in which payment for the passenger transportation service is tendered. Related services include the supervision of an unaccompanied minor and the issue, delivery, alteration, replacement or cancellation of a ticket, voucher or reservation.

On October 8, 1999, it was announced that all of these proposed measures would come into effect on January 1, 2000, rather than November 1, 1999, as originally indicated.

For further information concerning these proposals (see news releases 99-072 and 99-086), you may contact the tax services office in your area or refer to the Department of Finance Web site at www.fin.gc.ca (click on "News Releases and Speeches," then "1999").



Tax Status of Flying Time

As discussed in the issue of *Tax News* for the second and third quarters of 1999, certain supplies of courses by a vocational school are exempt from the GST/HST and the QST (see "Are Vocational Courses Tax-Exempt?"). As a rule, the courses must lead to a certificate, diploma, licence or similar document, or to a class or rating in respect of a licence or permit, that attests to the competence of an individual to practise a trade.

This article explains how the GST/HST and the QST apply to supplies of flight time by educational institutions.

Federal legislation sets out the flight-time requirements and other requirements or qualifications that an individual must meet or possess in order to obtain a commercial pilot licence (airplane) or an airline transport pilot licence, or to earn a class or rating in respect of such a licence. (A rating is an authorization associated with and forming part of a licence; it specifies conditions, privileges or limitations with respect to the licence—a "night rating," for example.)

Federally prescribed flight time falls into three main categories: (1) dual flight time, (2) solo flight time, and (3) build-up flight time. When engaged in dual flight time or solo flight time, a student is considered to be receiving instruction under direct supervision. Such supplies are therefore **exempt** if all the other requirements of the Excise Tax Act and the Act respecting the Québec sales tax are met.

"Build-up flight time" refers to additional flight time that a student pilot must accumulate in order to obtain a licence, class or rating. A student working on build-up flight time is not considered to be receiving instruction or to be under direct supervision. The supply of build-up time is therefore **taxable**, despite the fact that a student is required to accumulate a given amount of such flight time as a prerequisite to obtaining a pilot licence (whether commercial, airline or private).

This administrative policy has been in effect since April 1, 1997, with respect to the HST; January 1, 1991, with respect to the GST; and July 1, 1992, with

respect to the QST. For further details, refer to Policy Statement P-034R, "Tax Status of Flying Time Pursuant to Section 8 of Part III of Schedule V to the Excise Tax Act," which is posted on the CCRA Web site at www.ccradrc.gc.ca (click on "Forms and Publications," then "Technical Publications (Tax)," followed by "GST/HST," and finally "GST/HST Policy Statements").



Vocational Schools

For the purposes of the GST/HST and the QST, a vocational school is defined as an institution that is established and operated primarily to provide students with correspondence courses or instruction in courses that develop or enhance students' occupational skills. An institution that qualifies as a vocational school may provide courses exempt from the GST/HST and the QST where certain conditions are met.

To be considered a vocational school with respect to courses supplied after 1996, an institution must be **established** and **operated primarily** to provide correspondence courses or instruction in courses that develop or enhance students' **occupational** skills.

What is meant by "established primarily"?

To ascertain whether an institution was established primarily as a vocational school, the Ministère du Revenu du Québec reviews the institution's governing documents (letters patent, articles of incorporation, memoranda of agreement, by-laws, articles, etc.). These documents should reveal the purpose for which the institution was established; but if, for any reason, the Ministère is unable to confirm that the institution was **established primarily** for the purpose outlined above, it also analyzes the institution's activities.

What is meant by "operated primarily"?

An institution is considered to be operated primarily as a vocational school if more than 50% of its total annual revenues are derived from tuition fees for correspondence courses or instruction in courses that develop or enhance students' occupational skills, or are attributable to the provision of instruction in such courses.

In the calculation of total annual revenues for the purpose of determining an institution's primary role, revenues earned from the supply of property or services that are related to or dependent on the provision of vocational instruction are taken into account (revenues from the sale of textbooks and other course material to students may be included, for example, as well as those from the leasing of residential accommodation, locker rentals, student photocopy services, library or lab fees, parking, and fees for official transcripts and other documents). Grants and contributions received from government bodies for the provision of vocational training to individuals are also taken into account.

The development or enhancement of occupational skills

Vocational courses must be specifically designed to help individuals acquire the necessary skills for obtaining or maintaining employment. Courses related to sports, games, hobbies or other recreational or cultural pursuits offered by a school are personal-interest rather than vocational courses; in other words, they are not courses an individual is required to take in order to obtain or keep a job.

For further information concerning vocational schools, refer to GST/HST Policy Statement P-229, "Definition of 'Vocational School' in Section 1 of Part III of Schedule V to the Excise Tax Act."





Relaxation of Rules for Agents in the Tobacco and Fuel Sectors

With the adoption of Bill 21 on December 9, 1999, the Tobacco Tax Act and the Fuel Tax Act were amended. As a result, some of the rules applicable to persons carrying on commercial activities in the tobacco and fuel sectors have been relaxed.

Registration certificate

It is no longer necessary to hold a registration certificate (“certificat d’enregistrement”) under the Tobacco Tax Act or the Fuel Tax Act in order to engage in commercial activities in the tobacco or fuel sectors. This change took effect on February 2, 2000. However, persons who make retail sales of tobacco products or fuel in Québec must hold a QST registration certificate (“certificat d’inscription”).

Permits required under the Tobacco Tax Act

Collection officers, importers, manufacturers, and storers or carriers of non-identified tobacco are still required to hold a permit for each activity carried on in Québec. Vending machine operators are no longer required to hold a permit, but must still place a sticker issued by the Ministère du Revenu on each vending machine.

Permits required under the Fuel Tax Act

Collection officers, importers, refiners, and storers or carriers of bulk fuel are still required to hold a permit for each activity carried on in Québec. The same requirement applies to persons who colour fuel oil and to persons who blend, for the purposes of resale, fuel

that is subject to the fuel tax with another petroleum product that is not subject to the tax. However, persons who engage in a commercial activity related to propane or natural gas are not required to hold a permit.

Persons who hold a storer’s permit should note that the permit is no longer required in order to store bulk fuel in a service station.

Please note that persons who transport fuel exclusively for their own use are not considered bulk-fuel carriers if the fuel is transported in a motor vehicle, in receptacles whose total capacity does not exceed 2,000 litres.

For further information, refer to the brochures *An Overview of the Tobacco Tax Act* (IN-219-V) and *An Overview of the Fuel Tax Act* (IN-222-V), which you can obtain from any office of the Ministère du Revenu.



ITRs for Large Businesses with Respect to 1 800, 1 888 and 1 877 Telephone Services

Like any other QST registrant, large businesses may claim an input tax refund (ITR) with respect to 1 800, 1 888 and 1 877 telephone services and related telecommunications services they acquire in order to carry out their commercial activities. It should be noted, however, that other types of telecommunications services acquired by large businesses do not give entitlement to ITRs.

1 800, 1 888 and 1 877 services and related services

The telecommunications services that are related to the 1 800, 1 888 and 1 877 services and that give entitlement to ITRs are those offered on an optional basis with this type of telephone service. Such telephone services include

- long-distance call routing based on the area codes of callers;
- long-distance call routing to another telephone number (according to the time of day, or whether the day is a statutory holiday, etc.);
- long-distance call overflow rerouting;
- interactive voice response (e.g., for customer service, press 1; for service in French, press 2);
- caller number identification.

ITR calculation

As a rule, the cost billed to a person who acquires 1 800, 1 888 or 1 877 services consists of two amounts: a flat rate for line rental and a variable amount for billed communications. In some cases, other amounts attributable to one of the above-mentioned optional services may be added to the bill.

Thus, in calculating the ITR respecting such services acquired for the purposes of carrying on business activities, a registrant may include the following amounts: (1) the flat rate for line rental; (2) the amount for billed communications; and (3) the amounts for optional services.

Sale or Lease of a Road Vehicle: How the GST and the QST Apply to Certain Fees Related to the Registration of Rights

Under Québec legislation, rights respecting an automobile (for example, rights related to an instalment sales contract or a long-term lease) are valid only if they are published in the register of personal and movable real rights.

When the sale or long-term lease of a vehicle is financed, the automobile dealer generally takes care of the registration of rights respecting the vehicle, on behalf of a financial institution or an independent leasing company. In the sales contract or lease, the dealer includes both the registration fee and the charge for carrying out the registration service.

Moreover, automobile dealers consult the register of personal and movable real rights when they purchase a used vehicle from a consumer, in order to find out whether a right has been registered with regard to the vehicle. The fees for consultation of the register are then passed on to the consumer.

The fees described in the preceding paragraphs are subject to GST and QST under certain circumstances and tax-exempt under other circumstances. Details are given opposite.

Fees related to the publication of rights in the register of personal and movable real rights

The GST and QST are not applicable in the following cases:

- where the financial institution or the leasing company pays to have the right published in the register of personal and movable real rights;
- where an automobile dealer (or other company to which the task is contracted out) acts as an agent of a financial institution or leasing company, pays for the publication of the right in the register of personal and movable real rights, and obtains a refund from the financial institution or leasing company. The registration fee is tax-exempt provided it is billed separately from the service charge (that is, the charge for carrying out the registration). However, the service charge (where billed separately) is subject to GST and QST;
- where a road vehicle is sold under an instalment sales contract, and the purchaser pays the registration fee to the automobile dealer. In this case, the fee is exempt because it is considered to be incurred as part of a supply of financial services.

The GST and QST are applicable in the following cases:

- where an automobile dealer (or other company to which the task is contracted out) acts as an agent of a financial institution or leasing company, and bills the overall amount (that is, the registration fee and the related service charge) to the financial institution or leasing company. In this case, the overall amount is subject to GST and QST;
- where a road vehicle is leased on a long-term basis, and the lessee pays the automobile dealer the registration fee (which may or may not include an administration charge) that is ordinarily included in the amount used to calculate leasing charges.

Fees related to the consultation of the register of personal and movable real rights

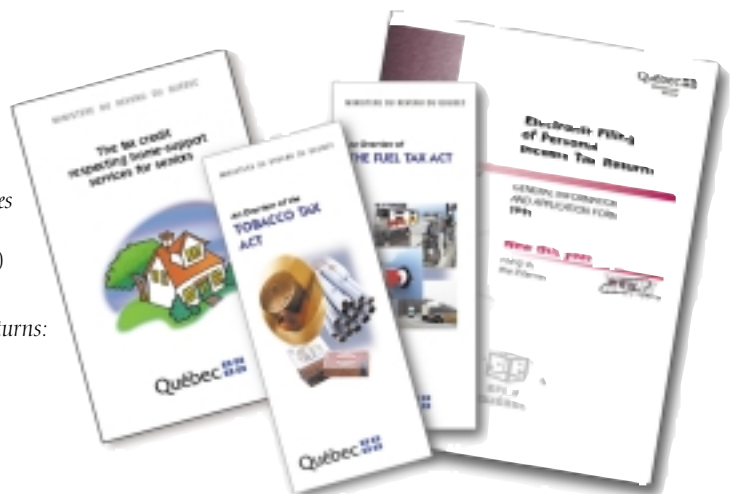
The fees paid by an automobile dealer to consult the register of personal and movable real rights, in order to verify the existence of a right respecting a road vehicle that the dealer intends to purchase from a consumer, are exempt from GST and QST.

However, GST and QST are applicable to the fees that an automobile dealer charges to a consumer, in order to verify the existence of a right respecting a road vehicle that the dealer is purchasing from the consumer. These fees may or may not include a service charge.

New Publications

In recent months, the Ministère du Revenu du Québec has made available or updated the following publications:

- **IN-102-V** *The Tax Credit respecting Home-Support Services for Seniors (1999-12)*
- **IN-219-V** *An Overview of the Tobacco Tax Act (2000-01)*
- **IN-222-V** *An Overview of the Fuel Tax Act (2000-01)*
- **IN-223-V** *Electronic Filing of Personal Income Tax Returns: General Information and Application Form 1999*





GST

Prescribed interest rates are adjusted quarterly to reflect market trends. Penalties and interest related to the GST are compounded daily. Annualized interest rates and penalty rates for the quarterly periods from April 1, 1999, to March 31, 2000, are listed below.

Period	Annualized interest rate* (%)	Penalty rate (%)
1999		
Apr. 1 – June 30	4.8132	6
July 1 – Sept. 30	4.7609	6
Oct. 1 – Dec. 31	4.7609	6
2000		
Jan. 1 – Mar. 31	4.8264	6

* To calculate interest for the purposes of the GST, find the daily rate by dividing the annualized rate by 366.

Act respecting the Québec sales tax, and other specific statutes

Interest is capitalized daily on amounts due and refunds granted under Québec tax laws. The prescribed interest rate applicable to debts owed to the Ministère du Revenu du Québec is set by calculating the simple arithmetic mean of the base rates for bank loans to businesses, as published by the Bank of Canada on the last Wednesday of each month included in the three-month period ending in the second month of the preceding quarter (for example, November 24, 1999, is the last Wednesday of the second month in the quarter preceding the first quarter of 2000). The result is rounded off to the nearest whole number (one-half being rounded down), and increased by 3%.

Up to December 31, 1999, the interest rate applicable, for a particular calendar quarter, to refunds payable by the Ministère du Revenu was the rate for Québec savings bonds in effect on the first day of the third month of the preceding quarter, as published in the *Gazette officielle du Québec*.

As announced in information bulletin 99-5 published by the Ministère des Finances du Québec on November 26, 1999, amendments were made to the Regulation respecting fiscal administration with regard to the interest rate applicable to refunds payable by the Ministère du Revenu. The new rate, which applies to refunds payable by the Ministère as of January 1, 2000, corresponds to the rate in effect, with regard to the most recent issue of Québec savings bonds, on the first day of the third month of the quarter preceding the calendar quarter concerned. Thus, the interest rate for the quarter beginning on January 1, 2000, is the rate in effect on December 1, 1999, with regard to the issue of Québec savings bonds that was most recent on that date.

The following is a list of interest rates respecting refunds payable by and debts owed to the Ministère, for the quarterly periods from April 1, 1999, to March 31, 2000.

1999		Interest rate (%)
Apr. 1 – June 30	Refunds	4.25
	Debts	10
July 1 – Sept. 30	Refunds	4.25
	Debts	9
Oct. 1 – Dec. 31	Refunds	4.25
	Debts	9
2000		
Jan. 1 – Mar. 31	Refunds	4.40
	Debts	9

The **penalty** rates are indicated below:

- **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.

Of the 27 interpretation bulletins published by the Ministère du Revenu du Québec from October to December 1999, 16 deal with income tax and 11 deal 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 are sold individually (price varies according to the number of pages) or on a subscription basis, through Les Publications du Québec. For information about subscriptions or the availability of bulletins, call (418) 643-5150 or 1 800 463-2100.

Income tax

ADM. 1.2/R1 Scope and classification of "Interprétation Revenu Québec" bulletins

IMP. 39-2 Compensation received by an employee for clothing

IMP. 488-1/R2 Income of an Indian

IMP. 488-2/R2 Income received by an Indian or a person of Indian ancestry from an office or employment

IMP. 725-2 Income received by an Indian or a person of Indian ancestry from an office or employment

IMP. 725-3 Amounts received by an Indian or a person of Indian ancestry for vacations or sick leave, that were paid out of accumulated vacation or sick leave credits

IMP. 725-4 Various types of income received by an Indian or a person of Indian ancestry from an office or employment

IMP. 725-5 Amount deductible as "income situated on a reserve or premises"

IMP. 1000-1.1/R6 Requirements for facsimiles and computer-generated forms: *Corporation Income Tax Return* (form CO-17-V)

IMP. 1158-2/R5 Reduction of paid-up capital - Investments in exempt corporations

INDEX Index to income tax bulletins

LMR. 12.1 Recovery charges

LMR. 28-1/R44 Interest rates

RAMQ. 34-5 Contribution to the health services fund by certain Indian organizations

SPECIAL 126 Determination of the premium payable to the Québec prescription drug insurance plan, and other tax measures

SPECIAL 127 Easing of eligibility conditions with regard to the refundable tax credit respecting home-support services for older persons, and other tax measures

Consumption taxes

ADM. 1.2/R1 Scope and classification of "Interprétation Revenu Québec" bulletins

INDEX Index to consumption tax bulletins

LMR. 12.1 Recovery charges

LMR. 28-1/R44 Interest rates

SPECIAL 107 Increase in the tax on tobacco products

TVQ. 22.26-1 Application of the QST to Web site design and hosting services

TVQ. 54.1-1 Trade-in of a road vehicle and cash remittance made to the recipient upon the purchase or lease of another road vehicle

TVQ. 164.1-1 Municipal upgrading of roads managed by the Ministère des Transports du Québec

TVQ. 164.1-1/R1 Municipal upgrading of roads managed by the Ministère des Transports du Québec

TVQ. 206.1-7 ITRs respecting 1 800, 1 888 or 1 877 telephone services

TVQ. 334-1 Election respecting supplies between the members of a closely related group



More Offices to Serve You Better

Hull

Direction régionale de l'Outaouais
170, rue de l'Hôtel-de-Ville, 6^e étage
Hull (Québec) J8X 4C2

Individuals

(income tax and social programs) (819) 770-1768

Corporations (income tax) (819) 770-1768

Employers–Source deductions (819) 770-1538

Consumption taxes (819) 770-8504

Jonquière

Direction régionale du Saguenay–Lac–Saint-Jean
2154, rue Deschênes
Jonquière (Québec) G7S 2A9

Individuals

(income tax and social programs) (418) 548-4322

Corporations (income tax) (418) 548-4322

Employers–Source deductions (418) 548-4322

Consumption taxes (418) 548-6392

Laval

Direction régionale de Montréal–Ouest
705, chemin du Trait-Carré
Laval (Québec) H7N 1B3

Individuals

(income tax and social programs) (514) 864-6299

Corporations (income tax) (514) 864-4155

Employers–Source deductions (514) 864-4530

Consumption taxes (514) 873-4692

The office of the Ministère du Revenu located at 705, chemin du Trait-Carré in Laval is no longer open to the public. This has been the case since March 6, 2000. Therefore, if you wish to contact the staff of the Ministère at this office, you must now do so by telephone or in writing.

However, you may visit in person one of the offices of the Ministère in the Greater Montréal area (see opposite).

Laval

Direction régionale de Laval, des Laurentides
et de Lanaudière
4, Place-Laval, bureau 250
Laval (Québec) H7N 5Y3

Individuals

(income tax and social programs) (514) 864-6299

Corporations (income tax) (514) 864-4155

Employers–Source deductions (514) 864-4530

Consumption taxes (514) 873-4692

Longueuil

Direction régionale de la Montérégie
Place-Longueuil
825, rue Saint-Laurent Ouest
Longueuil (Québec) J4K 5K5

Individuals

(income tax and social programs) (514) 864-6299

Corporations (income tax) (514) 864-4155

Employers–Source deductions (514) 864-4530

Consumption taxes (514) 873-4692

Montréal

- Direction régionale de Montréal–Centre
Complexe Desjardins
C. P. 3000, succursale Desjardins
Montréal (Québec) H5B 1A4

Individuals

(income tax and social programs) (514) 864-6299

Corporations (income tax) (514) 864-4155

Employers–Source deductions (514) 864-4530

Consumption taxes (514) 873-4692

- Direction régionale de Montréal–Est
Village Olympique
5199, rue Sherbrooke Est, bureau 4000
Montréal (Québec) H1T 4C2

Individuals

(income tax and social programs) (514) 864-6299

Corporations (income tax) (514) 864-4155

Employers–Source deductions (514) 864-4530

Consumption taxes (514) 873-4692

Québec

Local office
200, rue Dorchester
Québec (Québec) G1K 5Z1

Individuals

(income tax and social programs) (418) 659-6299

Corporations (income tax) (418) 659-4155

Employers–Source deductions (418) 659-7313

Consumption taxes (418) 659-4692

Rimouski

Direction régionale du Bas-Saint-Laurent
et de la Gaspésie–Îles-de-la-Madeleine
212, avenue Belzile, bureau 250
Rimouski (Québec) G5L 3C3

Individuals

(income tax and social programs) (418) 727-3572

Corporations (income tax) (418) 727-3572

Employers–Source deductions (418) 727-3572

Consumption taxes (418) 727-3702

Rouyn-Noranda

Direction régionale de l'Abitibi-Témiscamingue
et du Nord-du-Québec
19, rue Perreault Ouest, 3^e étage
Rouyn-Noranda (Québec) J9X 6N5

Individuals

(income tax and social programs) (819) 764-6761

Corporations (income tax) (819) 764-6761

Employers–Source deductions (819) 764-6761

Consumption taxes (819) 764-6765

Saint-Jean-sur-Richelieu

Local office for the Montérégie region
855, boulevard Industriel
Saint-Jean-sur-Richelieu (Québec) J5B 7Y7

Individuals

(income tax and social programs) (514) 864-6299

Corporations (income tax) (514) 864-4155

Employers–Source deductions (514) 864-4530

Consumption taxes (514) 873-4692

Sainte-Foy

Direction régionale de Québec et
de la Chaudière-Appalaches
3800, rue de Marly
Sainte-Foy (Québec) G1X 4A5

Individuals

(income tax and social programs) (418) 659-6299

Corporations (income tax) (418) 659-4155

Employers–Source deductions (418) 659-7313

Consumption taxes (418) 659-4692

Sept-Îles

Direction régionale de la Côte-Nord
391, avenue Brochu, bureau 1.04
Sept-Îles (Québec) G4R 4S7

Individuals

(income tax and social programs) (418) 968-0203

Corporations (income tax) (418) 968-0203

Employers–Source deductions (418) 968-0203

Consumption taxes (418) 968-2211

Sherbrooke

Direction régionale de l'Estrie
2665, rue King Ouest, 4^e étage
Sherbrooke (Québec) J1L 2H5

Individuals

(income tax and social programs) (819) 563-3034

Corporations (income tax) (819) 563-3034

Employers–Source deductions (819) 563-3034

Consumption taxes (819) 563-3776

Sorel

Local office for the Montérégie region
101, rue du Roi
Sorel (Québec) J3P 4N1

Individuals

(income tax and social programs) (514) 864-6299

Corporations (income tax) (514) 864-4155

Employers–Source deductions (514) 864-4530

Consumption taxes (514) 873-4692

Trois-Rivières

Direction régionale de la Mauricie et
du Centre-du-Québec
225, rue des Forges, bureau 400
Trois-Rivières (Québec) G9A 2G7

Individuals

(income tax and social programs) (819) 379-5360

Corporations (income tax) (819) 379-5360

Employers–Source deductions (819) 379-5360

Consumption taxes (819) 379-5392



QST Payable on the Sale of Automotive Vehicles: Reminder

When taxable property is sold, the GST must be included in the amount on which the QST is calculated. This general rule applies to the calculation of the QST payable on the sale of an automotive vehicle. Thus, in the case of a vehicle sold for \$20,000, the sales tax payable should be calculated as follows:

Selling price of the vehicle	\$20,000
GST (\$20,000 x 7%)	\$1,400
Subtotal	\$21,400
QST (\$21,400 x 7.5%)	\$1,605
Total	\$23,005

However, persons who, in the course of their commercial activities, make retail sales of automotive vehicles with a net weight of less than 4,000 kilograms are no longer authorized to collect the QST payable on such sales. This is because, under a measure that came into effect on February 21, 2000, purchasers of such vehicles are required to pay the QST to the SAAQ.



2000-2001 Budget Speech

To access the highlights of the Budget Speech given by Bernard Landry, Deputy Prime Minister and Minister of State for the Economy and Finance, on March 14, 2000, click on the "Forms and publications" icon of the Web site of the Ministère. The

Budget Highlights document contains information on measures concerning consumption taxes, businesses, and individuals, as well as other fiscal measures. More detailed information on some of these measures will be featured in upcoming issues of *Tax News*.

A Whole New Look for Our Web Site

In the past few weeks, the Web site of the Ministère du Revenu du Québec has been completely revamped. Its look has been updated, and the information is organized and presented differently so that the site is easier to use.

The Web site is now organized on a thematic basis. The principal subjects are income tax, consumption taxes, source deductions, support payments, and the assistance programs administered by the Ministère. Menus list subjects or specific taxpayer groups.

You will find that the navigation toolbar allows you to move quickly from one section to another of the site—from publications, to electronic services, to the addresses and telephone numbers of our offices.

Readers of *Tax News* will also be pleased to find that this publication, which was already available on the Web site, is now easier to consult.

In the months to come, the Ministère will be making other additions and improvements to the site. An even broader range of information on taxation and on our services will be easily accessible to Internet users.

You can access our site at the following address:
<http://www.revenu.gouv.qc.ca>.





Tax News is published quarterly by the Direction générale des communications of the Ministère du Revenu du Québec. It is distributed to all GST and QST registrants, and is available to anyone else upon request. It offers information on the application of the GST and the HST, as well as other federal excise taxes and duties, and incorporates the contents of *GST/HST News*, a newsletter published by the Canada Customs and Revenue Agency (CCRA). All articles dealing with federal taxes have been approved by the CCRA and are identified by a maple leaf. *Tax News* also provides information on the administration of the QST and other Québec consumption taxes, as well as on the administration of Québec income tax.

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Suggestions, comments and subscription enquiries should be faxed to (418) 646-0167. Your letter should include all pertinent information, as well as a copy of the last page of *Tax News* (on which your address is printed).

If you are a QST or GST registrant, you receive *Tax News* at the address to which all correspondence concerning the administration of the taxes is sent. To make a change to your address, contact the office of the Ministère in your area.

Director General of Communications

Michèle LaSanté

Editor

Linda Di Vita

Advisory Committee

Yves Bannon

Sylvain Denault

Carole Lafond

Ginette Landry

Martin Ménard

André St-Onge

Claire Thibault

Manon Tremblay

Marie-Paule Guilbault
(Liaison Officer, CCRA)

Writers

Linda Di Vita

Marie Godbout

Carole Lafond

Manon Tremblay

Translators

Susan Deichert

Mary Claire Dugas

Jonathan Keathley

Sarah McNeill

Joanne Velenovsky

Julie Wilkinson

Graphics and illustrations

Christine Bleau

Legal deposit

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