

Tax News

Fourth quarter 2000

In Brief

Home-support services for seniors

Several months ago, changes were made to broaden eligibility for the refundable tax credit respecting home-support services for seniors (as reported on pages 3 and 4 of the issue of *Tax News* for the third quarter of 2000). It therefore became necessary to modify the contents of the brochure entitled *The Tax Credit respecting Home-Support Services for Seniors* (IN-102-V, 1999-12). The Ministère du Revenu du Québec produced an insert (IN-102.A-V) detailing the changes to the tax credit, to be included with the brochure. If you do not have the insert in your copy of the brochure, you should contact the office of the Ministère in your area to obtain a new copy.

Notice to municipalities

A service rendered by a municipality that consists in installing, repairing or maintaining a water distribution, sewerage or drainage system is tax-exempt and is therefore not subject to the GST or QST. If a municipality inadvertently collects taxes on such a service, these amounts must be remitted to the Ministère du Revenu, and the consumer that paid the taxes may then claim a refund.

Such a service constitutes a single, exempt supply, whether or not the cost of the materials required to provide the service is indicated separately. The taxes paid by the municipality with respect to such materials may not be billed separately to the consumer as tax; they must instead be included in the cost charged by the municipality.

Assignment of an income tax refund by a corporation

Under a measure that came into force on March 10, 1999, a corporation may assign to a third party any amount owed to it under the Taxation Act. However, the assignment of such amounts is not binding on the government, and the Minister of Revenue is not obligated to remit to the third party the amount so assigned. Moreover, the assignment of an income tax refund creates no obligation on the part of the government with respect to the assignee, and the assignee's rights are subject to the government's rights to compensation.

Important

QST payable on the sale of automotive vehicles: a further reminder

Persons that, in the course of their commercial transactions, make retail sales of automotive vehicles with a net weight of less than 4,000 kilograms are no longer agents of the Ministère du Revenu du Québec in respect of such sales and are therefore no longer authorized to collect the QST payable on such vehicles. Under a measure that came into effect on February 21, 2000, it is the purchasers of such vehicles who are required to pay the QST to the Société d'assurance automobile du Québec. For more information, refer to page 14 of the issue of *Tax News* for the first quarter of 2000.

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INCOME TAX RETURN

Principal Changes in the 2000 Income Tax Return



The principal changes in the 2000 income tax return (including new fiscal measures and new tax credits and deductions) are outlined below.

● Personal income tax reduction

The personal income tax rates, which were 20%, 23% and 26% (depending on the income bracket), have been lowered to 19%, 22.5% and 25% respectively. In addition, the income thresholds at which the middle and highest tax rates begin to apply have been raised to \$26,000 and \$52,000 (from \$25,000 and \$50,000). However, the rate used to convert non-refundable tax credits is now 22% rather than 23%.

● Premium payable under the Québec prescription drug insurance plan

The maximum premium payable under the Québec prescription drug insurance plan has been raised from \$175 to \$350. However, since this measure did not come into force until July 1, 2000, the maximum premium payable for 2000 is \$262.50.



● Tax credit for child-care expenses



The rate of the tax credit for child-care expenses depends on family income. A new table of tax credit rates is in effect for 2000.

Where the family income for 2000 is \$27,000 or less, the rate is 75%. Where the family income is over \$27,000 but not over \$75,000, the rate decreases by 1% for each \$1,000 of income in excess of \$27,000. The rate is 26% if the family income is over \$75,000.

Child-care expenses paid to enable a parent to actively seek employment now give entitlement to the tax credit. Moreover, certain employment insurance (EI) benefits are now included in the calculation of earned income.

Furthermore, the ceiling on child-care expenses respecting a child with a severe and prolonged mental or physical impairment has been raised from \$7,000 to \$10,000.

● Contribution to the health services fund

The basic exemption applicable in the calculation of the contribution to the health services fund has been increased from \$5,000 to \$11,000.

● Tax reduction for families

This year, only 5% of net family income is subtracted from the amount granted as a tax reduction for families (down from 6% last year). The rate will be even more advantageous in the future (4% for 2001 and 3% for 2002).

● QPP and CPP contributions paid on income from self-employment

Québec Pension Plan (QPP) and Canada Pension Plan (CPP) contributions paid on income from self-employment and optional QPP contributions now give entitlement to a deduction equal to one-half of the amount of the contributions. The deduction may be claimed on either the general or simplified income tax return. The other half of such contributions may still be claimed as a tax credit on the general return.

● Capital gains

Prior to February 28, 2000, taxpayers were generally required to include three-quarters of their capital gains in income. This proportion was lowered to two-thirds for capital gains realized after February 27, 2000, but before October 18, 2000, and to one-half for capital gains realized after October 17, 2000.

Furthermore, where taxpayers realize a capital gain further to the sale of an investment in a small business and reinvest the proceeds in an eligible small business by purchasing new shares issued by the business, they may now defer the taxation of all or a portion of the gain.

● Scholarships, bursaries, fellowships and prizes

As of the 2000 taxation year, the first \$3,000 (rather than the first \$500) of amounts received as a scholarship, bursary, fellowship or prize for a remarkable achievement is exempt from income tax.



Furthermore, you are not required to include in your income the amount of certain scholarships, bursaries, fellowships and prizes received while you are pursuing university studies at the undergraduate, master's or doctoral level.

● Tax credit for gifts

As of the 2000 taxation year, you may claim an additional tax credit if the amount of your gifts (charitable donations, gifts to a government and other gifts) exceeds \$2,000.

● Tax credit respecting the housing of a parent

As of the 2000 taxation year, the \$550 tax credit respecting the housing of a parent may be claimed with regard to your or your spouse's uncle, aunt, great-uncle or great-aunt.

● New refundable tax credits

- As of the 2000 taxation year, you may claim a refundable tax credit of up to \$3,750 with regard to expenses related to artificial insemination or in vitro fertilization.
- You may claim a refundable tax credit if, in 2000, you were recognized by the Secrétariat au loisir et au sport as a top-level athlete (that is, an athlete belonging to the "Excellence," "Élite" or "Relève" performance level).

● Tax credit for adoption expenses

The tax credit for adoption expenses has been raised from 20% to 25% of eligible expenses. Consequently, the maximum tax credit in respect of a final adoption order rendered (or a certificate of adoption issued) after December 31, 1999, is now \$3,750 (up from \$3,000).



● Other credit

Expenses incurred on or after June 30, 2000, with regard to raising a racehorse in the get-of-sire class give entitlement to a refundable tax credit. The maximum credit is \$3,600 per horse.

● Improvement to the simplified tax system

The flat amount that may be claimed on the simplified income tax return (replacing a group of tax deductions and credits available under the general tax system) has been raised from \$2,430 to \$2,515.

If you received certain retroactive payments, you may ask the Ministère du Revenu to determine whether it is to your advantage to have the Ministère make a tax adjustment (in that case, the portion of the payment related to previous years is subtracted from your taxable income for the current year). Prior to the 2000 taxation year, this option was available only to taxpayers filing a general income tax return. Such a request may now be made on the simplified return.

As this new measure applies to 1998 and 1999 as well, you should contact the Ministère if you received a retroactive payment of \$300 or more in 1998 or 1999 and you filed a simplified income tax return for the year concerned.

Are you entitled to a refund?

If you have an account at a financial institution located in Québec, you may have your income tax refund deposited directly in your account. For further information, refer to the documents you received from the Ministère to assist you in completing your income tax return.

Information available at the offices of the Ministère

To obtain any tax-related information, you may call or visit one of our offices. Our business hours are given below. (Some offices will be open longer during the months of March and April.)

Monday, Tuesday, Thursday and Friday

8:30 a.m. to 4:30 p.m.

Wednesday

10:00 a.m. to 4:30 p.m.

... Income Tax Return ...

● Using a computer program to prepare your return

If you use tax preparation software and you send us a printed copy of your income tax return, you must ensure that

- the required summaries (forms TPF-1.W-V, TPF-1.X-V and TPF-1.Y-V) are enclosed with the return you file;
- the paper used is letter-size;
- the print quality is acceptable;
- the authorization number appears in the upper right-hand corner of the forms (income tax returns that are filed without an authorization number from the Ministère may be rejected and returned to the individual concerned);
- the identification label is affixed, where necessary, to the summary (form TPF-1.W-V).

● Services available through the Internet

The Internet site of the Ministère du Revenu du Québec contains information about the Québec tax system and the role of the Ministère. The various forms, guides, folders and brochures published by the Ministère can also be consulted via the Internet.

We invite you to visit the Internet site of the Ministère at the following address: **www.revenu.gouv.qc.ca**.

● The Volunteer Program

The Volunteer Program is administered jointly by the Ministère du Revenu du Québec and the Canada Customs and Revenue Agency. Under the program, hundreds of volunteers are recruited from associations and community groups to provide assistance free-of-charge to taxpayers (employees, recipients of last-resort financial assistance, retirees, senior citizens, immigrants, or persons with disabilities) who have difficulty completing their tax return and who cannot afford to pay a professional to fill out the return for them.

If you wish to obtain free assistance under the Volunteer Program, contact the office of the Ministère du Revenu du Québec in your area. (Refer to the list of addresses on pages 13 et 14.)



Erratum

In an article entitled "Suspension of Recovery Measures in the Case of an Objection," which appeared on page 6 in the last edition of *Tax News*, we mistakenly referred the reader to an article on large businesses (page 3 of the same edition). We regret any inconvenience this may have caused our readers.



EFILE: The Choice of Professional Preparers



The number of persons using the EFILE program (electronic filing of personal income tax returns) has grown considerably since the program was first introduced by the Ministère du Revenu seven years ago. Last year, EFILE was used by more than 1,800 professional tax preparers to file personal income tax returns. In fact, of the 785,000 returns transmitted to the Ministère electronically, the majority—some 680,000—were submitted by tax professionals like you.

A technological turning point

In the past few years the Ministère has made great efforts to keep abreast of the latest technological developments in order to meet the needs of Québec taxpayers. New services have recently been made available, and more are planned for the near future. Last year was a technological turning point for the Ministère: for the first time, individuals and professional preparers were able to file tax returns via the Internet, under the Netfile Québec program. Moreover, for the second year in a row over half the returns received by the Ministère were completed with the assistance of tax-calculation software.

Efficient, safe, reliable

EFILE is much more than a system for transmitting tax data electronically. EFILE is a tool that tax professionals can use to provide the best possible service to their customers, in particular as regards filing efficiency and the accuracy of returns. Moreover, with its strict security protocol and an encryption process that ensures confidentiality, EFILE is a safe method for filing the tax return. Finally, EFILE is a reliable

service that can be counted on to transmit tax data in one of two ways: through a value-added network (VAN) or via the Internet (Netfile Québec).

Reduced processing time and faster refunds

Experience has shown that EFILE returns contain fewer errors than paper returns. Consequently, a much larger percentage of EFILE returns can be processed and assessed without a time-consuming examination by a tax officer. The result is a faster refund for the customer.

Direct deposit of refunds and electronic payment of balance due

If you are a preparer, it is now possible to have your client's refund deposited directly in his or her bank account. To use this service, your EFILE clients need only provide you with the number of their financial institution, the branch number, and their account number.

For the 2000 taxation year, the Royal Bank and the Mouvement Desjardins are offering their clients the possibility of paying a balance due of income tax via the Internet. This quick and reliable service can be used by any of your customers who have an account at one of these institutions.

Access Code Info-Line

Netfile Québec can be used by any individual to file a personal income tax return. If you do not yet have an access code, you should be aware of a new service (Access Code Info-Line) that allows you to obtain one over the telephone (voice response system) or via the Internet. To obtain an access code via the Internet, visit the Web site of the Ministère and click on "Netfile Québec." If you are a professional preparer and an EFILE user, you should have received your access code along with your certification as an EFILE service provider. This code must also be used by preparers who transmit returns via the Internet.



Information and support

Information and support for EFILE users is available from a number of sources: from the service d'aide TED (EFILE assistance), which provides support for professional preparers during tax time; from documents such as the *Preparers' Manual* (OPR-223-V) and the brochure *Electronic Filing of Personal Income Tax Returns—General Information and Application Form 2000* (IN-223-V); and from the Web site of the Ministère.

To find out more about EFILE, visit our Web site at www.revenu.gouv.qc.ca and click on "Electronic services."



Sales of Eyeglasses and Contact Lenses

Eyeglasses (with or without frames) and contact lenses are zero-rated provided they were prescribed by a legally qualified professional for the purpose of correcting or treating a person's visual problems. This is also the case for clip-on prescription sunglasses sold as an accessory along with the eyeglasses, and for ordinary prescription sunglasses.

Non-prescription sunglasses are taxable, and therefore subject to both GST and QST; however, the promotional "two-for-one" sales, so frequent in the eyewear sector, constitute a special case. These sales allow consumers to obtain two pairs of glasses or contact lenses while paying only for the more expensive pair. If the more expensive pair has been prescribed, there is no GST or QST payable, even if the other pair (generally the sunglasses) is taxable. If the more expensive pair has not been prescribed, or if neither pair has been prescribed, the sale is subject to GST and QST.



Replacement contract

Prescription contact lenses and eyeglasses obtained under a replacement contract are zero-rated, as is the contract itself.

Service plan

Service plans for prescription contact lenses and eyeglasses are taxable.

Example

An optometrist provides a service plan for prescription contact lenses, under which the customer is entitled to:

- a reduced price on replacement contact lenses;
- have the lenses verified by a physician;
- a \$20 reduction on any pair of eyeglasses purchased while the plan is valid;
- professional cleaning and polishing services for soft contact lenses.

The plan must be renewed annually, and the customer receives a letter to this effect before the end of the month in which the plan expires. The purchase of the service plan and the purchase of the contact lenses are distinct transactions: the first is taxable, the second is zero-rated. Consequently, the service plan is subject to GST and QST.

The Exchange of Land: One Transaction or Two?

For the purposes of the GST and the QST, the Ministère du Revenu considers that two transactions occur where two persons transfer, under contract, ownership of their respective lots (that is, where person A transfers ownership of a lot to person B in partial payment of a lot being purchased from person B).

Example

Mr. Carter, an individual who is not a GST or QST registrant, owns a lot on which he intends to build a home for himself. Before construction gets under way, however, he realizes that the location of the lot is no longer suitable, and contacts a builder in order to purchase a different lot. The builder decides to exchange one of the lots he owns for Mr. Carter's lot, asking that Mr. Carter pay the difference in value between the two lots.

First transaction

Transfer to the individual of the builder's lot

As the transfer of the lot by the builder is taxable, it is subject to GST and QST.

Value of the lot	\$25,000.00
GST (7% x \$25,000)	\$1,750.00
Subtotal	\$26,750.00
QST (7.5 % x \$26,750)	\$2,006.25
Total	\$28,756.25

Second transaction

Transfer to the builder of the individual's lot

As a rule, the transfer of land by an individual is exempt from GST and QST, if (as in this case) the land is used for personal purposes.

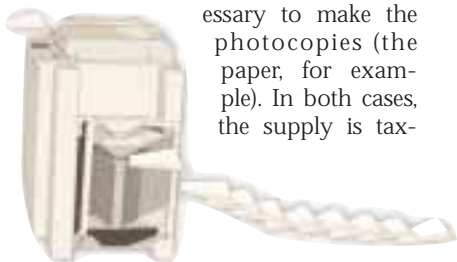
Value of the lot	\$15,000.00
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Mr. Carter will have to pay the difference between the value of his lot and that of the builder's lot.

First transaction:	\$28,756.25 (\$25,000 + \$3,756.25 GST and QST)
Second transaction:	\$15,000.00
Amount payable by Mr. Carter:	\$13,756.25 (\$10,000 + \$3,756.25)

Supply of Photocopies

As a rule, the supply of photocopies is considered to be a supply of property under the GST and QST systems. (The term "tangible personal property" is used under the GST/HST system, and the term "corporeal movable property" under the QST system.) However, under certain circumstances, the supply of photocopies may be considered the supply of a service where the recipient of the supply provides the material necessary to make the photocopies (the paper, for example). In both cases, the supply is tax-



able if it is made by a person in the course of the person's commercial activities. On the other hand, the supply may be tax-exempt if it is considered a supply of services and is made by a charity or a public institution.

Example

A university, which is a public institution and a registrant, has in its library a number of stand-alone photocopiers that accept coins. The photocopiers are generally operated by students, who copy material needed for their courses. The amount payable (the consideration) is based on a cost per photocopy; it exceeds the direct cost to the university, and the university therefore makes a profit. In the course of supplying photocopies, the university acquires property and services on which it pays GST and QST.

In this example, the supply of photocopies constitutes a supply of tangible personal property ("corporeal movable property" under the QST system) and is therefore taxable. The university may claim input tax credits and input tax refunds respecting the GST and QST paid on property and services acquired for the purpose of making supplies of photocopies.

The policy outlined above took effect on July 1, 2000. Persons that collected taxes prior to that date with respect to a supply of services that subsequently became tax-exempt are required to remit the taxes to the Ministère. For further information, see GST/HST Policy Statement P-236, *Supply of Photocopies*. This publication can be consulted on the Web site of the Canada Customs and Revenue Agency, at the following address: www.ccr-aadrc.gc.ca/E/pub/gl/p-236em/README.html.

Electronic Remittance Services More Popular Than Ever

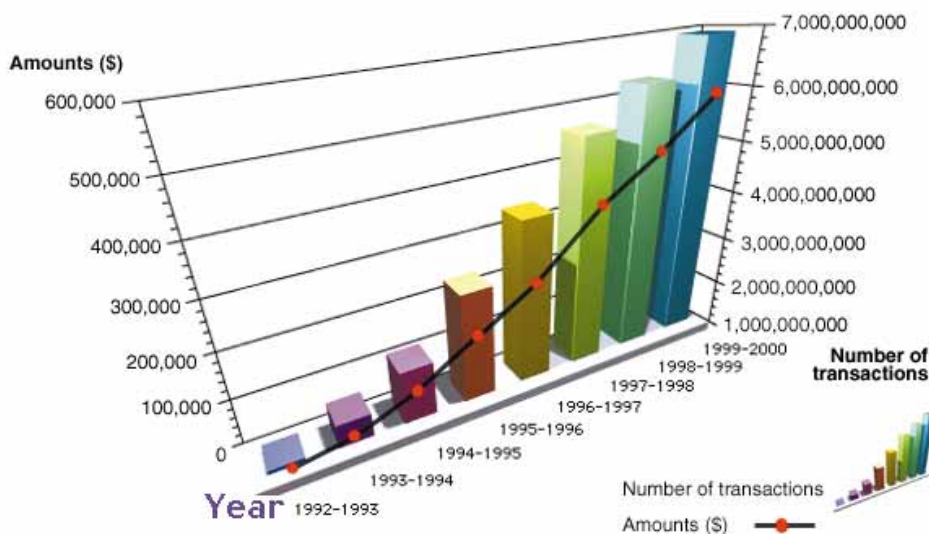
Businesses routinely use electronic data interchange (EDI) to remit their source deductions, instalments of corporate income tax, QST and GST, and support payments to the Ministère du Revenu. Individuals can now use EDI to remit instalment payments and (since last year) a balance of income tax payable. Many individuals and businesses make these electronic remittances through their financial institution. For the 1999-2000 financial year, more than 600,000 remittances (for a total of \$6.4 billion) were made electronically through the services of various financial institutions.*

Internet remittances

Electronic payment services vary from one financial institution to another, but, as might be expected, one of the means used is the Internet. Since 1998, an Internet payment service has been available from certain institutions.

As with other means of electronic transmission, the Internet procedure is simple: individuals and businesses who satisfy certain requirements simply remit their payments, via the Internet, to a financial institution that provides an Internet service. The financial institution then remits the payment to the Ministère via a value-added network (VAN). A VAN is an independent network provided by a telecommunications firm, and is used by commercial clients to obtain a variety of services (communications, protocol conversion, translation, E-mail, EDI, etc.).

Increase in the number of remittances made electronically



Further information

If you are a business or an individual and you wish to obtain additional information about electronic remittances, please contact your financial institution or telephone, fax or E-mail the Ministère (Groupe de promotion de l'EDI et d'acquisition des données électroniques) at one of the following numbers or the following address:

Tel.: (418) 652-5281 or, toll free, 1 888 830-7747 (ext. 5281)

Fax: (418) 646-0713

E-mail: yvan-denis.veilleux@mrq.gouv.qc.ca

Information may also be obtained by visiting the Web site of the Ministère at www.revenu.gouv.qc.ca (click on "Electronic services" and "EDI").

* To date, the institutions offering these services are the National Bank of Canada, the Bank of Montreal, the Royal Bank of Canada, the Canadian Imperial Bank of Commerce, HSCB Bank Canada and the Mouvement des caisses Desjardins.

Benefits Related to the Use of Automobiles

Deduction Limits and Prescribed Rates for 2001

In December 2000, 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 2001, are outlined below:

The ceiling on the capital cost of passenger vehicles, for the purposes of capital cost allowance, was raised from

\$27,000 to \$30,000 (plus GST and QST) for purchases made after 2000.

The limit on deductible leasing costs was raised from \$700 to \$800 per month (plus GST and QST) for leases entered into after 2000. 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 \$0.37 to \$0.41 per kilometre for the first 5,000 kilometres, and from \$0.31 to \$0.35 for each additional kilometre.

The maximum allowable interest deduction respecting amounts borrowed to purchase an automobile was increased from \$250 to \$300 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 \$0.15 to \$0.16 per kilometre. For individuals whose principal occupation is selling or leasing automobiles, the prescribed rate is \$0.13 per kilometre (up from \$0.12).



The Right Way to Send Your Cheque

The Ministère du Revenu processes some half a million cheques every month. When making a payment, it is therefore important that you include the proper documents with your cheque, and that you indicate the type of payment being made. You should

also make sure that the cheque bears a number used to identify you, such as your social insurance number or identification number.

Time to make an instalment payment, remit sales taxes, or pay some other

amount to the Ministère? Simply enclose your cheque with your remittance slip, notice of assessment, tax return, or short letter of explanation, as applicable. To facilitate processing, please make sure that the information on your cheque is legible and accurate.

Here is sample cheque that satisfies the above-mentioned criteria.

DATE November 28, 2000

PAY TO Minister of Revenue \$ 542.50

THE ORDER OF Diane Lambert and Family Inc. 50/100 DOLLARS

FOR: GST (GST ID# 2000) 0125454783 suppliers

Electronic Aid in Completing Your Forms

Over the past few years, the Ministère du Revenu du Québec has been working to make electronic services available on its Web site. You can now access approximately 1,000 of our forms free-of-charge via the Internet; of that number, 300 are PDF dynamic forms (forms that can be completed on-screen). Within two years, most of our forms will be available in the dynamic format.

The dynamic forms now available on our Web site include the following: the application for registration (LM-1-V), the calculation forms for the QST (VD-471-V), the GST/HST (FP-34-V), and the GST/HST and QST (FP-500-V), the application for a rebate of the GST/HST with respect to new housing (FP-190-V), the notice of objection (MR-93.1.1-V) and the calculation of the income tax of a corporation (CO-771A-V).

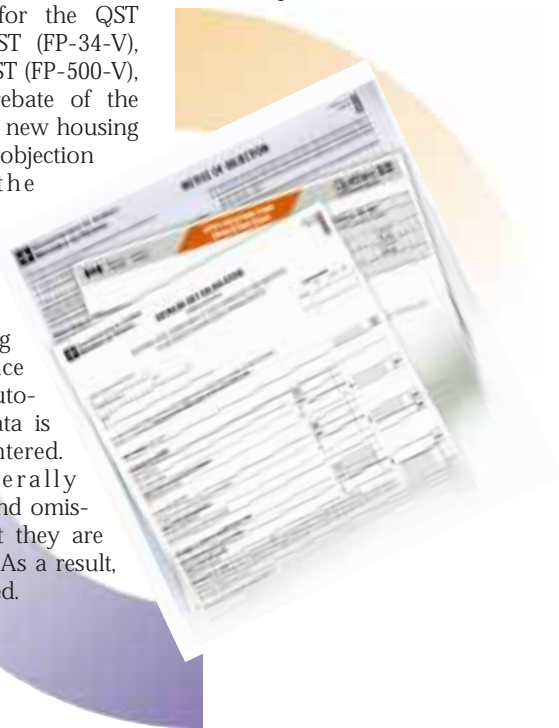
Dynamic forms will make your tax-reporting tasks much easier since calculations are done automatically and certain data is validated as it is entered. Dynamic forms generally contain fewer mistakes and omissions, which means that they are less likely to be rejected. As a result, processing time is reduced.

In an on-line survey carried out by the Ministère du Revenu, 96% of the respondents who use our dynamic forms said they were satisfied with the automatic data formatting; 82% appreciated the rapidity of use; 62% liked the automatic calculation functions; and 48% were pleased with the time saved in making corrections.

We invite you to try these forms on the Web site of the Ministère du Revenu. They are identified by the icon "Dynamic" next to the number of the form in question.



Be sure to let us know what you think, as your suggestions will help us to make improvements in the future.



Motor Vehicle Allowances

In the past, where an employer granted both a lump-sum allowance and a per-kilometre allowance for the use of a motor vehicle, only the lump-sum allowance had to be included in the employee's income. The Ministère considered these allowances to be sep-

arate, and the per-kilometre allowance, provided it was reasonable, did not have to be included in the employee's income.

This is no longer the case. Effective January 1, 2001, an employer who grants both types of allowance with respect to the same motor vehicle

must include the two allowances in the employee's income. The allowances must be added to the employee's remuneration and taken into account for the purposes of source deductions.

The brochure *Taxable Benefits* (IN-253-V) will be revised accordingly.



Changes Announced by the Ministère des Finances

Recent Tax Changes Affecting Individuals and Businesses

The changes in question were announced by the Ministère des Finances du Québec in information bulletin 2000-5 dated October 6, 2000.

1- Measures respecting individuals

Determination of the premium payable under the Québec prescription drug insurance plan

As a rule, persons whose coverage under the Québec prescription drug insurance plan is provided by the Régie de l'assurance-maladie du Québec (RAMQ) for a given year must contribute to the funding of the plan by paying a premium when they file their income tax return for that year.

However, in order to take into account ability to pay, deductions are granted in the calculation of the annual premium. Adjustments have been made to the amounts of the deductions to be used in calculating the premium payable for 2000, as shown in the following table.

DEDUCTIONS FOR 2000, BASED ON FAMILY SITUATION	
- One adult, no children	\$11,120
- One adult, one child	\$18,030
- One adult, two children or more	\$20,630
- Two adults, no children	\$18,030
- Two adults, one child	\$20,630
- Two adults, two children or more	\$23,030

The parental insurance plan and the tax system

The parental insurance plan proposed by the Québec government was described in the Budget Speech of March 25, 1997. However, since that date, certain changes have been made to the Québec tax system as well as to the parameters of the plan. We will provide information on the tax consequences of the parental insurance plan once Bill 140 (An Act respecting parental insurance) is adopted.

2- Measures respecting businesses

The measures respecting businesses relate to the following: increase in the available floor space of the "Carrefours de la nouvelle économie"; streamlining of the refundable tax credit designed to encourage small and medium-sized Québec businesses to adopt E-commerce solutions; refundable tax credit respecting the creation of an eligible digital production; automatic inclusion of the deductions granted to certain individuals for the purposes of calculating source deductions; relaxation of measures regarding the security trading activities carried on by certain international financial centres; adjustments to the refundable tax credit respecting the maintenance of a racehorse.

Further information is contained in information bulletin 2000-5, which you will find on the Web site of the Ministère des Finances du Québec, at the following address: www.finances.gouv.qc.ca.



Notice to Employers

Interest-Free or Low-Interest Debts

Individuals who, because of their employment, contract a debt without interest or at an interest rate lower than the prescribed rate are considered to have received a taxable benefit. If any of your employees contracted such a debt in 2000, refer to the annual interest rates below in order to calculate the value of the benefit.

1st quarter:	5%
2nd quarter:	6%
3rd quarter:	6%
4th quarter:	6%





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) 770-8504

Employers–Source deductions (819) 770-8504

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) 548-6392

Employers–Source deductions (418) 548-6392

Consumption taxes (418) 548-6392

Laval

Direction régionale de Laval, des Laurentides
et de Lanaudière
4, Place-Laval, bureau RC-150
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

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

If you wish to contact the staff of the Ministère at the above-mentioned office, you must do so by telephone or in writing.

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, pyramide Est
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) 659-4692

Employers–Source deductions (418) 659-4692

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) 727-3702

Employers—Source deductions (418) 727-3702

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) 764-6765

Employers—Source deductions (819) 764-6765

Consumption taxes (819) 764-6765

Saint-Jean-Iberville

Local office for the Montérégie region
855, boulevard Industriel
Saint-Jean-Iberville (Québec) J3B 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) 659-4692

Employers—Source deductions (418) 659-4692

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) 968-2211

Employers—Source deductions (418) 968-2211

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) 563-3776

Employers—Source deductions (819) 563-3776

Consumption taxes (819) 563-3776

Sorel-Tracy

Local office for the Montérégie region
101, rue du Roi
Sorel-Tracy (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) 379-5392

Employers—Source deductions (819) 379-5392

Consumption taxes (819) 379-5392



In Your Interest

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 October 1, 1999, to December 31, 2000, are listed below.

Period	Annualized interest rate*	Penalty rate
	(%)	(%)
1999		
Oct. 1 – Dec. 31	4.7609	6
2000		
Jan. 1 – Mar. 31	4.8264	6
Apr. 1 – June 30	4.8264	6
July 1 – Sept. 30	5.9674	6
Oct. 1 – Dec. 31	5.9674	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 October 1, 1999, to December 31, 2000. The penalty rates are also indicated.

1999		
Oct. 1 - Dec. 31	Refunds	4.25%
	Debts	9%
2000		
Jan. 1 - Mar. 31	Refunds	4.40%
	Debts	9%
Apr. 1 - June 30	Refunds	4.40%
	Debts	10%
July 1 - Sept. 30	Refunds	4.75%
	Debts	10%
Oct. 1 - Dec. 31	Refunds	4.75%
	Debts	10%

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.



Interpretation Bulletins

From July through December 2000, the Ministère du Revenu du Québec published 36 interpretation bulletins, 16 related to income tax and 20 to consumption taxes. These bulletins are listed below, together with their code numbers (numbers containing an R indicate a revised bulletin). They can be purchased from Les Publications du Québec, either individually (the price of each bulletin depending on the number of pages) or by subscription. For information on subscriptions or to find out which bulletins are available for purchase, call (418) 643-5150 or 1 800 463-2100.

Income tax

IMP. 80-3/R3

The Fiscal Status of an Artist Working in one of the Fields of Artistic Endeavour Covered by the Act respecting the professional status and conditions of engagement of performing, recording and film artists

LMR. 28-1/R47

Interest Rates

SPECIAL 135

New fiscal measures to support social and economic activity in Québec

IMP. 1051-1/R3

Refund of Tax, Interest or Penalties

RAMQ. 34-5/R1

Contribution to the Health Services Fund by Certain Indian Organizations

IMP. 37-1/R10

The Value of Certain Taxable Benefits that a Hotel or Restaurant Employee Receives or Benefits from by Reason of his Office or Employment

IMP. 128-12/R1

The Expenses of a Self-Employed Performer

LMR. 28-1/R48

Interest Rates

SPECIAL 136

Adjustments to fiscal policy applicable to individuals and corporations

SPECIAL 137

Adjustments and clarification concerning certain fiscal development measures applicable to businesses

SPECIAL 138

Québec's ministère des Finances' position regarding the federal economic statement of October 18, 2000

SPECIAL 139

Bill 141 - Act to amend the Act respecting the Ministère du Revenu as regards the suspension of recovery measures

ADM. 1/R5

Organization Chart

SPECIAL 140

New Tax Measures for the Gaspé Peninsula and Certain Maritime Regions of Québec

SPECIAL 141

Extension for an Additional Year of Tax Incentives Relating to Flow-Through Shares and Streamlining of Rules Regarding Associated Corporations

SPECIAL 142

Bill 97 - An Act to amend the Taxation Act and other legislative provisions of a fiscal nature

Consumption taxes

LMR. 28-1/R47

Interest Rates

SPECIAL 113

New fiscal measures to support social and economic activity in Québec

TVQ. 16-26

Application of the QST to the "Connecting Families to the Internet" Program

TVQ. 119.1-1/R1

Financial Assistance Program for Homemaker or Domestic Help Services

TVQ. 80.2-3

Input Tax Refunds and Suppliers of Telecommunication Services

TVQ. 167-1

Identity Card Required to Obtain a Reduced-Fare Transit Service

TVQ. 177-5

The Supply of Chocolate Bars Sold by Certain Persons in the Course of Fundraising Campaigns

TVQ. 176-3

The Supply of a Hospital Bed

TVQ. 201-1

Input Tax Refund (ITR) Documentary Requirements - Insufficient Information and False Invoicing

TVQ. 541.48-1

The Specific Duty on New Tires

LMR. 28-1/R48

Interest Rates

TVQ. 198-1/R1

Financial Services Provided by an Automobile Dealer

TVQ. 678-2

Purchases Made by a Legal Aid Centre or Made in the Course of Performing a Legal Aid Mandate

SPECIAL 114

Bill 141 - Act to amend the Act respecting the Ministère du Revenu as regards the suspension of recovery measures

TVQ. 162-2

Fee Charged for Analyzing the Eligibility for a Grant or Subsidy

TVQ. 164-1

Amount Claimed by a Municipality from the Owners of Alarm Systems after False Alarms

ADM. 1/R5

Organization Chart

SPECIAL 115

Bill 97 - An Act to amend the Taxation Act and other legislative provisions of a fiscal nature

TVQ. 162-3

The Supply of Information Issued by a Public Body

TVQ. 206.3-6

Energy for Operating Equipment Used Both for the Production of Movable Property and for Heating an Immovable



New Publications

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

- **IN-223-V** *Electronic Filing of Personal Income Tax Returns: General Information and Application Form 2000* (2000-11)
- **IN-223.A-V** *EFILE . . . More Popular Than Ever* (2000-11)
- **IN-104.A-V** *Important Information for Users of NetFile Québec* (2000-11)
- **IN-104.B-V** *Information for Individuals Who Used NetFile Québec Last Year* (2000-11)

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.

This publication is distributed for information purposes only. The articles it contains do not replace the laws, regulations or administrative texts to which they refer. Nor do they supersede proposed amendments to laws or regulations, or 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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Tax News est disponible en français sous le titre *Nouvelles fiscales*.

Suggestions and comments should be faxed to (418) 646-0167.

Subscription enquiries should be faxed to the number given above. Your fax 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.

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