

Tax News

First quarter 1999

On March 9, 1999, the Deputy Prime Minister and Minister of State for the Economy and Finance, Bernard Landry, delivered the Québec Budget Speech for 1999-2000. This issue of *Tax News* summarizes the principal measures announced.¹ More detailed articles will follow in upcoming issues.

THE 1999-2000 BUDGET SPEECH

Consumption Taxes

The Québec sales tax (QST)

Zero-rating of automotive vehicles purchased for the purposes of resupply

Under a measure that took effect on May 1, 1999, a registrant or non-registrant who purchases an automotive vehicle with a net mass of under 4,000 kilograms for the sole purpose of reselling the vehicle or leasing it for a period of at least one year is not required to pay QST on the vehicle. The transaction in question is zero-rated, and the seller must not collect QST from the recipient.

A recipient who pays QST to the seller under these circumstances cannot obtain an input tax refund (ITR) or any other form of tax rebate from the Ministère. In order to recover the tax unduly collected, the recipient has no option but to contact the seller and ask for a reimbursement.

A bulletin entitled *Automotive Vehicles Purchased for Resupply Will No Longer Be Taxable* (PZ-905-V) was sent to sellers of automotive vehicles and other persons (such as recyclers) in order to inform them of the new zero-rating measure. Additional information on the measure is given on page 9 of this issue of *Tax News*.

Collection of QST by the Société de l'assurance automobile du Québec

In the fall of 1999, the QST system will be modified to allow the Société de l'assurance automobile du Québec (SAAQ) to collect QST on the retail sale of an automotive vehicle with a net mass of under 4,000 kilograms. The tax will be collected when the vehicle is registered.

Persons who sell such vehicles at retail in the course of their commercial activities will no longer be authorized to collect QST from purchasers, and purchasers will be required to pay QST to

1. The summary is based on section 1 of the document *Additional Information on the Budgetary Measures*. To consult this document on the Internet, access the Web site of the Ministère des Finances du Québec and click on "The Budget." The address is <http://www.finances.gouv.qc.ca>.

Contents

Consumption Taxes	1	Coin-Operated Devices	12	Prepackaging of Sweetened Baked Goods and Similar Products.	14
Corporate Taxation Measures	3	Flea Market Operators Are Required to Provide the Ministère du Revenu du Québec with a List of Occupants	13	Down Payments: How Do the GST/HST and the QST Apply?	14
Measures Concerning Individuals	8	Used Road Vehicles: A New Reference Book for Determining Their Market Value	13	Interpretation Bulletins.....	15
In Your Interest	10	The Installation of Mobile Homes on Sites Located in a Residential Trailer Park and the Development of These Sites	11	New Publications.....	15
				Pennies Count!	16



the SAAQ. A purchaser who pays QST to the seller under such circumstances will still be required to pay the tax to the SAAQ upon registration of the vehicle, and will not be entitled to a tax refund from the Ministère. In order to recover the tax unduly collected, the purchaser will have no option but to contact the seller and ask for a reimbursement.

The terms and the effective date of this measure will be announced at a later date.

Lifting of ITR restrictions respecting Internet services

The rule under which large businesses could not claim ITRs with respect to Internet services constituting telecommunications services has been rescinded. Accordingly, any QST that becomes payable on such services after March 9, 1999, and that was not paid by that date, can be included in the calculation of the ITR of a large business.

Refund of tax paid with respect to an automatic door-opener for the use of a disabled person

Since March 10, 1999, the QST paid with respect to the acquisition and installation of an automatic door-opener has been refundable, provided the door-opener is acquired to enable a person with a physical handicap to gain access to his or her residence without assistance.

To claim a refund, the person who purchases the door-opener must complete and file form VD-405-V, *General Application for a Québec Sales Tax (QST) Refund*, within four years after the date on which the QST was paid. The following documents must be enclosed with the application:

- proof of the person's disability (a medical certificate describing the disability and indicating that, without the door-opener, the person would be unable to gain access to his or her residence without assistance constitutes sufficient proof);

- a document from the supplier, stating the amount of QST paid on the door-opener and on the installation service.

This measure applies to QST that becomes payable after March 9, 1999, and that was not paid by that date.

Fuel tax and tobacco tax

Elimination of registration certificates

Both the tobacco tax system and the fuel tax system provide for the obligation to hold a registration certificate. This obligation will be eliminated. However, a change will be made to the QST system, requiring small suppliers of fuel to register.

Limitation of the obligation to hold a fuel storer's permit

The obligation to hold a fuel storer's permit will be restricted to persons who store fuel in bulk storage areas. This means that service-station operators will no longer be required to hold a fuel storer's permit.

Limitation of the obligation to hold a permit for the transportation of bulk fuel

Persons who transport bulk fuel in a motor vehicle tank whose total capacity does not exceed 2,000 litres will no longer be required to hold a permit for the transportation of bulk fuel, provided the fuel is intended solely for their own use.

Elimination of vending machine operator's permits

Vending machine operators will no longer be required to hold a permit under the tobacco tax system. The use of identification stickers for vending machines will remain obligatory.

The above measures are contained in Bill 21, tabled by the Minister of Revenue.

Harmonization with federal laws and regulations

Harmonization with measures announced in news releases 98-122 (December 10, 1998) and 99-010 (January 29, 1999)

Legislative measures retained

Québec sales tax legislation will be amended in order to incorporate, with the adaptations necessary to take its general principles into account, the federal legislative measures concerning

- exports by common carrier, dropshipments, and certain imports;
- sales-leaseback arrangements, supplies of leased property and supplies of ongoing services;
- barter clubs;
- supplies of real property and rebates respecting such property;
- second-language training services supplied by vocational schools and certain businesses;
- psychological services, hospital care services, and services in respect of medical devices and prescription drugs;
- rebates to public service bodies;
- gaming industry transactions;
- filing period thresholds;
- tax disclosure requirements;
- tax adjustments by suppliers and general restrictions on rebates;
- bad debts;
- the sale of accounts receivable;
- certain sales by provincial Crown agents.

Regulatory measures retained

QST regulations will also be amended in order to incorporate, with the necessary adaptations, the federal regulations respecting

- games of chance;
- place of supply;
- artists' representatives.

Application dates

The QST measures will be adopted only after the approval of any federal law or regulation arising from news releases 98-122 and 99-010, and will take into account any technical amendments made prior to such approval. The application date of the QST measures will be the same as the application date of the federal tax measures, except where the federal measures take effect on January 1, 1991; in that case, the QST measures take effect on July 1, 1992.

Corporate Taxation Measures

Integrated fiscal strategy for the knowledge-based economy

Implementation of super-deductions

Certain corporations that are entitled to refundable R&D tax credits will have the option of waiving the credits and instead claiming super-deductions in the calculation of their income.

A corporation that is a member of a partnership at the end of a fiscal period will also be entitled to super-deductions, subject to special rules.

In order to claim a super-deduction, the corporation will be required to make an irrevocable election for a taxation year by means of a prescribed form filed with the Ministère du Revenu du Québec not later than 12 months after the deadline for filing its income tax return for that year. The election will apply to all or a portion of the amount respecting which a refundable tax credit is calculated and will irrevocably replace entitlement to any of the refundable tax credits to which the corporation would otherwise be entitled with respect to all or a portion of

Super-deduction rates

Categories of refundable tax credits to which super-deductions apply	Rate
First \$2 million of R&D wages ¹ of a corporation with assets ² of less than \$25 million ⁵	460%
R&D wages of a corporation with assets exceeding \$50 million	230%
University research contracts, or contracts with an eligible public research centre or a research consortium	460%
Pre-competitive research	460%
Fees or dues payable to a research consortium	460%

1. Including situations in which a corporation has R&D carried out on its behalf under outside contracts concluded with third parties that deal or do not deal at arm's length with the corporation. The rate applicable to the amount of R&D wages over \$2 million will be 230%.
2. Assets for the previous taxation year. The applicable rules for determining the assets will be the same as those that currently apply for the purposes of the tax credit.
5. For a corporation with assets of between \$25 million and \$50 million, the rate of the super-deduction will decline linearly from 460% for the first \$2 million of R&D wages, in a manner similar to the existing gradual reduction criterion applicable to the tax credit. The rate applicable to the amount of R&D wages over \$2 million will be 230%.

the amount covered by the election. A separate election will need to be made with respect to each of the five categories of tax credits mentioned in the preceding table.

Super-deductions may be claimed with respect to taxation years of corporations that begin after June 30, 1999.

Introduction of a tax credit based on the increase in expenditures

A corporation that, for a taxation year, may otherwise be entitled to the 40% refundable tax credit for R&D wages (that is, a Canadian-controlled corporation with assets of less than \$25 million for the taxation year preceding the year in question) will be temporarily entitled to claim a new refundable tax credit in addition to the refundable tax credits it can already claim.

In general, this tax credit will be based on the increase in all R&D expenditures in respect of which Québec refundable R&D tax credits are calculated, and that are incurred by a corporation in a taxation year, over the average of all such expenditures incurred by the corporation during its previous three taxation years. The rate of this new refundable tax credit will be 15%.

In order to claim this tax credit for a taxation year, a qualified corporation will be required to file a prescribed form with the Ministère du Revenu, not later than 12 months after the deadline for filing its income tax return for that year.

A corporation will have the option of claiming this tax credit or claiming an additional 190% super-deduction in the calculation of its income.

These changes will apply to taxation years of a corporation that begin after June 30, 1999, but before July 1, 2004. This tax credit will not be subject to income tax.

Designation of a new eligible public research centre

The Centre de recherche Les Buissons inc. has been recognized as an eligible public research centre with respect to R&D carried out after March 9, 1999,

under an eligible research contract concluded after that date.

Technical clarification concerning certain subcontracts

A contract concluded by a recognized organization is now considered a university research contract or an eligible research contract in its entirety (this means that any portion relating to the participation of an independent researcher will not be excluded), provided the Ministère has been shown, as part of the application for an advance ruling relating to the contract, that the recognized organization has overall control of the contract.

This clarification applies to university research contracts and to eligible research contracts for which an advance ruling is issued after March 9, 1999 (provided the deadline for filing the prescribed form that must be submitted in order to be entitled to the related tax credit has not expired).

Introduction of a refundable tax credit for technological adaptation services

To support small businesses in gathering and processing strategic information, and in their efforts to collaborate with other corporations, research centres and other partners in innovation, a new, two-part refundable tax credit has been implemented. In general, a corporation is qualified if the amount of its assets (including the assets of associated corporations) is less than \$25 million, as shown in the corporation's financial statements for its preceding taxation year or, if the corporation is in its first fiscal period, at the beginning of its first fiscal period.

However, certain corporations, such as corporations entitled to an income tax exemption for a given taxation year, may not claim the tax credit for that year.

The tax credit a qualified corporation may claim for a taxation year is equal to 40% of the amount of qualified expenditures incurred by the corporation during the year with an eligible business watch centre, an eligible liaison and transfer centre, or an eligible college centre for technology transfer, as the case may be. Currently, 13 business

watch centres, six liaison and transfer centres, and 23 college centres for technology transfer have been recognized for this purpose.

This measure applies with respect to qualified expenditures incurred by a qualified corporation after March 9, 1999.

Supplementary deduction equal to 25% of capital cost allowance and exemption from tax on capital regarding new investments in certain sectors

In the March 25, 1997 Budget Speech, a supplementary deduction equal to 25% of capital cost allowance and an exemption from tax on capital regarding new investments in certain sectors were implemented to foster investment in Québec. These measures have been renewed until March 31, 2000.

Creation of the Centre national des nouvelles technologies de Québec

Support comparable to that available to corporations operating in the Cité du multimédia has been granted to qualified corporations that move into designated premises of the Centre national des nouvelles technologies de Québec (CNNTQ). Accordingly, such qualified corporations are entitled to a refundable tax credit respecting wages paid to eligible employees during a period that may begin on March 10, 1999, and ends on December 31, 2010. The rate of this tax credit is 40%, for a maximum of \$15,000 per eligible employee per year.

This tax measure is the responsibility of the Bureau de développement de la nouvelle économie (BDNE), whose chief role is to ensure that the government's objectives are achieved and to make recommendations to the Ministère des Finances regarding qualified corporations, qualified activities and eligible employees.

Creation of new economy centres

The territorial scope of the fiscal measures relating to the knowledge-based economy has been extended to every region of Québec through the creation of "carrefours de la nouvelle économie" (CNEs), or new economy centres.

Briefly, a CNE is a group of businesses carried on within an available area granted to each region. In a given region, the same CNE may be established in more than one urban centre, depending on the region's needs.

The corporations that carry out qualified activities in a designated building may claim the tax assistance specifically applicable to CNEs or, if they carry out an innovation project in the building, the assistance applicable to information technology development centres (ITDCs). Corporations that do not carry out an innovation project may claim, for the period beginning on March 10, 1999, and ending on December 31, 2010, a refundable tax credit applicable to the manpower expenditures directly associated with carrying out a qualified activity related to the knowledge-based economy. The rate of the tax credit is 40%, for a maximum of \$15,000 per eligible employee per year.

The BDNE is also responsible for this measure.

Improvements applicable to ITDCs and the Cité du multimédia in Montréal

A corporation that carries on its business in an ITDC may claim, with respect to the wages paid after March 25, 1997, to one of its employees otherwise eligible for the tax credit respecting R&D wages, either the tax credit respecting R&D wages or the tax credit respecting the wages of eligible employees working in an ITDC.

Effective March 26, 1997, the specific deadline of six months following the end of the taxation year for obtaining certificates regarding employees or specialized equipment has been withdrawn. Such certificates must now be obtained no later than 18 months after the end of the taxation year for which the tax credits are claimed.

The eligibility periods concerning corporations that carry on their business in an ITDC or in the Cité du multimédia have been extended by two years. Accordingly, a corporation carrying on its business in an ITDC may claim, at least until December 31, 2010, a tax credit respecting the eligible wages it incurs during the period concerned, while a

corporation carrying on its business in the Cité du multimédia may claim a tax credit respecting the eligible wages it incurs no later than December 31, 2010.

Creation of the Montréal Foreign Trade Zone at Mirabel

Tax benefits available to corporations

A number of tax benefits are now available to corporations operating in the Montréal Foreign Trade Zone at Mirabel in the areas of aircraft maintenance and repair, supplementary vocational training in aviation, and light processing. To claim the tax benefits, a corporation must have an eligibility certificate issued by the Minister of Finance.

Exemption from income tax, tax on capital and the contribution to the health services fund

In general, a corporation that carries on an eligible business in the foreign trade zone may claim the following tax exemptions as of the date of its eligibility certificate, but before January 1, 2010:

- an income tax exemption with respect to the income derived from the operation of the business;
- an exemption from the tax on capital in relation to the portion of the corporation's paid-up capital that can reasonably be attributed to the operation of the business; and
- an exemption from the contribution to the health services fund with respect to wages paid after the date of the certificate, but before January 1, 2010, to employees who carry out at least 75% of their duties within the foreign trade zone.

Refundable tax credit respecting the wages of eligible employees

A corporation that carries on an eligible business within the foreign trade zone may also claim a refundable tax credit, equal to the following amounts, with respect to wages paid to eligible employees:

- 40% of the wages incurred between March 10, 1999, and January 1, 2001, to a maximum of \$15,000 per employee per year;
- 30% of the wages incurred between December 31, 2000, and January 1, 2004, to a maximum of \$12,000 per employee per year; and
- 20% of the wages incurred between December 31, 2003, and January 1, 2010, to a maximum of \$8,000 per employee per year.

Refundable tax credit relating to an eligible customs brokerage contract

A corporation that carries on an eligible business within the foreign trade zone may also claim a refundable tax credit, equal to the following amounts, with respect to a customs brokerage contract:

- 40% of the fees incurred with respect to the contract between March 10, 1999, and January 1, 2001, to a maximum of \$30,000 per year;
- 30% of the fees incurred with respect to the contract between December 31, 2000, and January 1, 2004, to a maximum of \$24,000 per year; and
- 20% of the fees incurred with respect to the contract between December 31, 2003, and January 1, 2010, to a maximum of \$16,000 per year.

Refundable tax credit respecting the acquisition or leasing of eligible equipment

A corporation that carries on an eligible business within the foreign trade zone may also claim a refundable tax credit respecting eligible equipment acquired or leased in the course of carrying on the business. This credit is equal to 25% of the following amounts:

- the costs incurred by the corporation to acquire eligible equipment that will be included in the capital cost of the property; and
- the fees paid by the corporation to lease and use eligible equipment.

This measure applies to costs incurred and to fees paid after March 9, 1999.

Measures concerning culture

Introduction of refundable tax credits respecting the production of sound recordings and musical productions

To further support the activities of businesses operating in the recording and performance industry, two new refundable tax credits have been introduced.

In general, these two tax credits apply in a manner similar to the refundable tax credit for Québec film or television productions. Accordingly, a qualified corporation may, under certain conditions, claim a refundable tax credit equal to 33 1/3% of the manpower expenditures it incurs to produce an eligible sound recording or an eligible show. However, the expenditures giving entitlement to these two tax credits may not exceed 45% of the production costs of the sound recording or show, as the case may be; thus, the maximum tax assistance is 15% of such costs. The tax credit granted with respect to an eligible sound recording or an eligible show may not exceed \$50,000 or \$300,000, respectively.

These measures apply to an eligible sound recording or an eligible show for which production begins after March 9, 1999.

Simpler application of the refundable tax credit for dubbing

The application of the refundable tax credit for dubbing has been simplified: only expenditures relating to certain services inherent in the dubbing process and generally provided by self-employed persons or by corporations acting as subcontractors now give entitlement to the credit. Such expenditures can easily be identified by the corporation claiming the tax credit for dubbing since the corporation is generally billed for such services.

The total amount paid by the qualified corporation for such services is to be included in the calculation of the expenditures giving entitlement to the tax credit for dubbing, provided such services are rendered in Québec.

The rate applicable to expenditures that give entitlement to the tax credit for dubbing is not affected by these changes and remains at 33 1/3%.

Replacement of the ceiling

Currently, manpower expenditures that give entitlement to the tax credit for dubbing are limited to 45% of the corporation's dubbing services production costs. The expenditures that give entitlement to the tax credit for dubbing are limited to an amount equal to 40.5% of the amount paid for the execution of the dubbing contract (excluding GST and QST), which corresponds to 45% of the price of the dubbing services provided to the customer, less an approximate profit margin of 10% from the execution of the dubbing contract.

These changes, which are retroactive to the date on which the tax credit for dubbing took effect, apply to eligible expenditures incurred after December 18, 1997, under a contract concluded after that date.

Clarification concerning subscriptions for the purposes of the deduction relating to entertainment expenses

In general, the deduction granted to a taxpayer who incurs food, beverage and entertainment expenses in order to earn income is limited to 50% of the amount spent in this regard.

As an exception, expenses relating to the cost of a subscription to concerts of a symphony orchestra or a classical music or jazz ensemble, performances of opera, dance or song or plays are not subject to this 50% limit provided these cultural events take place in Québec. For this purpose, a subscription must include at least three performances in eligible disciplines.

The tax legislation will be amended to specify that the word "subscription" means, for the purposes of this measure, an agreement between an entertainment distributor and a client for the acquisition of a package, put together by the entertainment distributor, of a set number of tickets, including tickets for a minimum of three different performances in one or more eligible disciplines.

For this purpose, an "entertainment distributor" means an organization whose mission is to distribute the performing arts and that assumes responsibility for a program of professional shows generating box-office or subscription income. An entertainment distributor also means a manager of a performance space, such as a theatre, or the tenant of a number of theatres.

This change applies to subscriptions purchased after March 9, 1999.

Business capitalization measures

Under current terms and conditions, the assets of a corporation that intends to make a public issue of shares under the Québec stock savings plan (QSSP) must be less than \$500 million, including the assets of corporations with which it is associated during the 12 months preceding the date of the receipt for the final prospectus or the exemption from filing a prospectus.

To make it easier for more growth corporations to make a public issue of shares under the QSSP, this limit has been raised from \$500 million to \$350 million for any public issue of shares for which the receipt for the final prospectus or the exemption from filing a prospectus is granted after March 9, 1999.

Adjustments to tax measures relating to the financial sector

Measures concerning international financial centres

The legislation pertaining to international financial centres (IFCs) will be amended so that financial engineering services rendered on behalf of persons who are not resident in Canada (or on behalf of persons who are resident in Canada, if the securities to which these services are related are qualified securities) will henceforth be recognized as eligible international transactions.

This change applies to financial engineering services rendered after March 9, 1999.

Measures to foster the creation of investment funds

In the Budget Speech of March 31, 1998, tax benefits were introduced to encourage the creation of investment funds in Québec. These benefits consist of a five-year income tax exemption respecting the income earned from the administration and management of a new qualified investment fund, and a refundable tax credit equal to 50% of the qualified start-up expenses incurred in regard to such a fund. The amount of the tax credit may not exceed \$250,000.

The period during which an investment fund must be created has been extended by one year. Thus, the date of the first calculation of the net asset value of the securities of a fund must be prior to April 1, 2001.

Easing of the criteria relating to the presence of a fund in Québec

An investment fund may now be considered a qualified investment fund if at least 75% of its administration, its management, and the work relating to its promotion and marketing are carried out in Québec.

The minimum percentage respecting the administration and management of a fund must be attained by the end of the fund's second year of existence at the latest.

A provisional certificate allows the qualified corporation to claim, as of the first year of existence of the fund respecting which the certificate is issued, the tax exemption in regard to the income earned from the administration and management of the fund.

The new criteria relating to the presence of an investment fund in Québec generally apply to an investment fund created after March 9, 1999.

Qualified start-up expenses

The definition of the expression "qualified start-up expenses" has been changed for the purposes of the refundable tax credit for start-up expenses so as to exclude any expense relating to the administration or management of an investment fund that may reasonably be attributed to work performed outside Québec.

This change applies to any expense incurred after March 9, 1999.

Measure concerning the owners of private woodlots affected by the ice storm

The tax legislation will be amended to allow the owners of private woodlots affected by the ice storm to take advantage of a tax deferral for a period of up to four years in regard to a portion of the income earned from the sale of timber derived from logging operations on the woodlot.

An eligible owner of a private woodlot covering at least four undivided hectares in an area affected by the ice storm can now deduct, in calculating the income earned from the sale of timber derived from logging operations on this woodlot for a given taxation year, an amount not exceeding 40% of such income otherwise calculated for that taxation year.

This measure applies to the 1999, 2000, 2001 and 2002 taxation years.

Technical changes relating to the tax on capital

Change related to selling price balances

The tax legislation will be amended so that the selling price balance respecting an immovable gives entitlement to the reduction for investment when the purchaser is a corporation and the selling price balance is guaranteed, in whole or in part, by property it owns. However, the reduction does not apply when the debtor is either a corporation authorized to receive deposits, or the creditor's parent corporation, if the latter has its head office outside Canada.

This change applies to taxation years ending after March 9, 1999.

New accounting standards relating to deferred income tax

Current accounting standards provide for recording deferred income tax to take into account temporary discrepancies in the accounting treatment and tax treatment of certain items.

The new rules use new terms to identify deferred income tax, namely, "future income tax assets" and "future income tax liabilities."

Where tax on capital is concerned, deferred tax debits are deducted and deferred tax credits are added in the calculation of paid-up capital. Since these accounting items have a direct impact on shareholders' equity, the resulting impact on paid-up capital is zero.

In order to maintain the current tax policy with regard to deferred income tax, the tax legislation will be amended to specify that future income tax assets will be deducted and future income tax liabilities will be added in the calculation of paid-up capital.

Measures concerning Individuals

Personal income tax reduction of \$400 million

The Québec government has made a commitment to reduce personal income taxes by \$400 million over a full year, as of July 1, 2000.

Reduction in the contribution to the health services fund

As of the 2000 taxation year, the contribution to the health services fund will be equal to 1% of the portion of total income (excluding employment income) that exceeds \$11,000. More individuals with low incomes will therefore be exempt from paying this contribution.

Assistance for older persons: new refundable tax credit

On January 1, 2000, the Québec government will introduce a refundable tax credit with regard to the support services provided to older persons who require such services in order to live independently and who wish to remain in their home as long as possible.

To be entitled to the tax credit for a given taxation year, individuals must be at least 70 years old, be "losing their autonomy", and reside in Québec at the end of the taxation year. The tax credit will be equal to 25% of the eligible expenses that the individual paid during the year to obtain certain support services at home. The maximum amount of expenses giving entitlement to the credit is \$12,000 per year; the maximum tax assistance corresponding to this amount is \$2,760.

The expenses must be paid through the "service employment paycheque" (SEP) mechanism.

Improvement of tax assistance for persons with a severe and prolonged mental or physical impairment

Conditions to be met in order to obtain a tax credit

A person cannot claim the non-refundable tax credit respecting a severe and prolonged physical or men-

tal impairment unless the impairment significantly restricts his or her ability to perform a basic activity of daily living. As of the 1999 taxation year, this requirement is considered to be met if, because of an illness, the person must spend a long period of time, several times a week, on therapy that is essential to the maintenance of his or her vital functions and that is prescribed by a physician.

Simplified tax system

The tax legislation will be amended so that a person with a severe and prolonged mental or physical impairment, and the person's spouse or family members, can take full advantage of the simplified tax system. As of 1999, the amount respecting a severe and prolonged mental or physical impairment may be claimed by an individual who is filing the simplified income tax return.

Improvement of tax assistance for families

Increase in the tax credit for adoption expenses

The maximum amount of expenses giving entitlement to the refundable tax credit for adoption expenses has been raised from \$10,000 to \$15,000, and the maximum tax credit has been raised from \$2,000 to \$3,000.

This measure, effective as of the 1999 taxation year, pertains to final adoption orders handed down after December 31, 1998, or, as the case may be, to certificates attesting to the registration of an adoption that are issued after that date by the clerk of the Court of Québec.

Increase in allowable child-care expenses

The maximum amount of child-care expenses giving entitlement to the refundable tax credit for child-care expenses has been raised from \$5,000 to \$7,000, in the case of a child under seven or a child with a severe and prolonged mental or physical impairment, and from \$3,000 to \$4,000 in the case of any other eligible child. The new maxi-

mums are in effect as of the 1999 taxation year.

Non-taxation of certain allowances for travel expenses paid to a part-time lecturer

As of the 1999 taxation year, persons who teach part-time are not required to pay income tax on a travel allowance or a reimbursement of travel expenses paid by their employer to enable them to reach their place of work. This is true even if, throughout the period in which the person is a part-time lecturer, he or she does not have other employment or carry on a business.

Moreover, this measure applies to any taxation year regarding which the person's income tax payable may be re-determined, or regarding which a reassessment or additional assessment may be made.

Longer tax holiday for foreign researchers and introduction of a tax holiday for certain foreign experts

Longer tax holiday for foreign researchers

In order to assist eligible employers in recruiting persons who are not Canadian residents and who come to Québec to work on an R&D project, the Québec government has decided to grant foreign researchers an exemption from income tax for a longer period. A foreign researcher who takes up employment duties with an eligible employer after March 9, 1999, under an employment contract entered into after that date, is entitled to a five-year tax holiday.

Tax holiday for certain foreign experts

In order to assist eligible employers in recruiting experts in (among other things) the marketing and transfer of the latest technologies, the government has announced the introduction of a five-year tax holiday for foreign experts who are hired by an eligible employer for the purpose of carrying out an R&D project. Foreign experts will be

entitled to deduct, in the calculation of their taxable income, the salary they receive from the eligible employer.

Longer tax holiday for foreign training instructors who work in an information technology development centre

Longer tax holiday

A five-year tax holiday will be granted to a foreign training instructor who takes up employment duties in an eligible information technology development centre (ITDC) after March 9, 1999, under an employment contract concluded after that date.

Relaxation of eligibility requirements

The tax legislation will be amended so that a foreign training instructor whose duties consist **mainly** of training activities is also entitled to this tax holiday. The change is retroactive to March 26, 1997.

Introduction of a tax holiday for certain foreign specialists

Since March 10, 1999, certain foreign specialists who work for a corporation that carries on an eligible business have been entitled to a full exemption from income tax for a five-year period.

Longer tax holiday for foreign specialists

The tax legislation respecting international financial centres (IFCs) will be amended in order to increase from four to five years the tax holiday granted to specialists in international financial transactions.

This measure applies to any person who, after March 9, 1999, takes up duties for the first time as an employee of a corporation or partnership that operates an IFC.

Relaxation of the rules regarding alternative minimum tax

Rules respecting capital securities

As of the 1999 taxation year, individuals who, for a given taxation year,

obtain a deduction respecting

- shares in a Québec business investment company (QBIC), relative to an investment made by the QBIC,
- shares in a regional venture capital corporation eligible for the Québec stock savings plan (QSSP), or
- preferred shares in the co-operative investment plan (CIP),

may, for the purposes of the application of the minimum tax rules, deduct from their adjusted taxable income for that year the portion of these deductions that exceeds 100% of the cost of the shares.

Rules respecting stock options

As of the 1999 taxation year, individuals who, for a given taxation year, obtain the 25% deduction respecting a taxable benefit arising from a stock option may, for the purposes of the application of the minimum tax rules, deduct the amount of this deduction from their adjusted taxable income for that year.

Additional information concerning the zero-rating measure respecting automotive vehicles purchased for resale

Sale of an automotive vehicle, by one dealer to another, where the sale includes optional equipment, accessories and preparation charges

When a dealer sells an automotive vehicle to another dealer, optional equipment and accessories are sometimes added to the vehicle. In this case, the cost of the optional equipment and accessories, as well as preparation charges, are often included on the invoice respecting the sale of the vehicle. If these costs are included on the invoice, they are considered by the Ministère to be part of the cost of the vehicle.

QST refund from a dealer

A dealer who pays QST to another dealer on the purchase of an automotive vehicle acquired for resupply (by way of resale, for example) cannot claim an input tax refund (ITR) or any other form of rebate from the Ministère. Instead, the purchaser must contact the seller in order to recover the QST un-

duly collected. The QST refunded by the seller may be deducted from the seller's net tax payable if adequate information, such as a credit note, is provided to the purchaser of the vehicle.

It should be noted that the Ministère rarely considers QST to have been unduly collected on the sale of an automotive vehicle. If, for example, two dealers who were unaware of the zero-rating measure were party to the sale of an automotive vehicle shortly after the measure came into effect, and the vehicle was acquired for resale, the Ministère considers that the QST charged on the sale was unduly collected: the purchaser may therefore claim a refund of the QST from the seller. However, if, at the time of the sale, the purchaser knew the automotive vehicle was being acquired for resale but neglected to advise the seller of this fact, the Ministère considers that the QST charged on the sale was not unduly collected: the seller therefore cannot refund the QST to the purchaser.

Sale of an automotive vehicle by a QST registrant that is not a dealer

A QST registrant that is not a dealer—such as a corporation that operates a restaurant and owns a fleet of vehicles for the delivery of its prepared food products—must not charge QST on the sale of an automotive vehicle to a person who acquires the vehicle solely for resale, or for lease for a period of at least one year.

Thus, a QST registrant that is not a dealer and that sells an automotive vehicle to a dealer or recycler must justify the non-collection of QST by indicating, on the sales contract or invoice, the number of the licence issued to the dealer or recycler by the SAAQ. Such justification is considered adequate by the Ministère.

Where the registrant sells an automotive vehicle to a purchaser that does not hold a dealer's or a recycler's licence and that acquires the vehicle solely for resale, or for lease for a period of at least one year, the registrant must have the purchaser provide, on the document attesting to the transaction, a signed statement to the effect

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, 1998, to September 30, 1999, are listed below.

Period	Annualized interest rate* (%)	Penalty rate (%)
1998		
Apr. 1 – June 30	3.6098	6
July 1 – Sept. 30	4.7609	6
Oct. 1 – Dec. 31	4.7609	6
1999		
Jan. 1 – Mar. 31	4.8667	6
Apr. 1 – June 30	4.8152	6
July 1 – Sept. 30	4.7609	6

* To calculate interest for the purposes of the GST, find the daily rate by dividing the annualized rate by 365.

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 respecting 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. The result is rounded to the nearest whole number (one-half being rounded down), and increased by 3%.

The interest rate with respect to refunds made by the Ministère du Revenu is the rate for Québec savings bonds that is in effect on the first day of the third month of the preceding quarter, as published in the *Gazette officielle du Québec*.

The following is a list of interest rates respecting debts owed to and refunds made by the Ministère, for the quarterly periods from April 1, 1998, to September 30, 1999.

1998		Interest rate (%)
Apr. 1 – June 30	Refunds	3.25
	Debts	9
July 1 – Sept. 30	Refunds	4
	Debts	9
Oct. 1 – Dec. 31	Refunds	4
	Debts	9
1999		
Jan. 1 – Mar. 31	Refunds	4.25
	Debts	10
Apr. 1 – June 30	Refunds	4.25
	Debts	10
July 1 – Sept. 30	Refunds	4.25
	Debts	10

The interest rates respecting **penalties** are indicated below:

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

(continued from page 9)

that the vehicle is being acquired for that purpose.

The following statement is an example of the type of statement considered by the Ministère to be adequate justification of the non-collection of QST:

"I, XXX, purchaser, hereby state that I am acquiring this vehicle for the sole purpose of resupply by way of XXX [indicate 'sale' or 'lease for a minimum of one year'].

Signature of purchaser: _____



The Installation of Mobile Homes on Sites Located in a Residential Trailer Park and the Development of These Sites

How does one go about installing a mobile home in a residential trailer park?

The owner of a residential trailer park¹ sells new mobile homes and leases sites located in the trailer park for periods of at least one month. The price of a mobile home generally includes the charges for its transport and permanent installation. The installation process may include

- dumping crushed rock or laying a cement base on the site where the mobile home is to be installed,
- installing the mobile home on concrete blocks,
- providing electrical connections,
- providing exterior water and sewer connections, and
- installing skirting.

The owner must also see to the development of the trailer park. This includes

- installing water and sewer systems to service the sites, and
- extending existing streets.

What charges are subject to the GST and the QST?

The owner of the trailer park is required to collect GST and QST on the sale, transport and installation of previously unoccupied mobile homes.

However, no taxes are to be billed in respect of the leasing of a site located in the trailer park (provided the lease has a term of at least one month).

What expenditures give entitlement to ITCs and ITRs?

The owner of the trailer park may claim input tax credits (ITCs) and input tax refunds (ITRs) on property and services acquired in or brought into Québec for the purpose of selling, transporting or installing mobile homes.

The owner may also claim ITCs and ITRs with respect to work that is carried out for the purpose of developing or enlarging the trailer park, provided the work is undertaken before any of the sites located in the original or added area are occupied under a lease with a term of at least one month.

First use of a residential trailer park

The first time that the owner of the trailer park leases a site in the park (under a lease with a term of at least one month), he or she is deemed to have sold the entire park. Consequently, the owner must remit the GST and the QST calculated on the fair market value of the trailer park at that time (that is, immediately before the day on which oc-

cupancy or possession of the site is transferred to the owner of the mobile home). As of that time, the owner of the trailer park is no longer entitled to claim ITCs or ITRs with respect to property and services acquired in or brought into Québec for the purpose of developing the trailer park or the sites.

For example, if the owner of the trailer park installs outdoor lighting on the sites after the first time that any of the sites has been leased (under a lease with a term of at least one month), he or she is not entitled to claim an ITC or ITR. The owner would have been entitled to an ITC and ITR, however, if the lighting had been installed before the first time any of the sites was leased (provided the owner was registered for the GST and the QST). This rule also applies when an existing trailer park is enlarged: for example, if the owner increases the area of the park by developing new sites or extending existing streets, he or she may claim an ITC and ITR only with respect to work undertaken before any of the sites in the added area is leased for the first time.

1. To be considered a residential trailer park, the park in question must have at least two sites on which a mobile home can be installed in such a way that it is suitable for use by individuals as their place of residence throughout the year.

Coin-Operated Devices

On March 4, 1999, the federal government approved the Coin-Operated Devices Remission Order, which grants tax relief to GST/HST registrants who make supplies through certain coin-operated devices.

Under an amendment made previously to the Excise Tax Act, supplies made through these devices on or after April 24, 1996, were designated zero-rated supplies. The Tax Court of Canada subsequently ruled that supplies made before that date should not have been subject to tax. The remission order therefore provides for a refund of the tax (and related interest and penalties) paid on supplies made between January 1, 1991, and April 23, 1996, which would otherwise be unrecoverable due to the expiration of statutory time limits. The retroactive relief ensures that registrants who made supplies during this period and those who make supplies thereafter receive the same tax treatment.

Devices covered by the remission order

The remission order covers supplies made through a mechanical coin-operated device designed to take only a single coin of 25 cents or less as the total amount payable for the product dispensed by the device or for the service rendered through the operation of the device. Such supplies are referred to as "eligible supplies."

The following coin-operated devices do not give entitlement to relief under the remission order:

- devices that can make a supply for more than 25 cents even if they can also make a supply for 25 cents or less (e.g., coin-operated dryers that can make a continuous supply of drying time, or coin-operated games that can provide continuous playing time, if additional coins are inserted);
- devices that take coins worth more than 25 cents (e.g., \$1 or \$2 coins);
- devices that take more than one coin as consideration for the supply;
- devices that are activated by a token, a magnetic card, or anything other than a coin.

Recoverable amount

The amount that you may recover under the remission order is equal to the difference between the net tax you reported (including tax on eligible supplies) and the amount that would have corresponded to your net tax had you not been required to report tax on the supplies.

Example

A registrant took the tax on eligible supplies into account in the calculation of the net tax paid, for the reporting period from January 1, 1991, to March 31, 1991, as follows:

Tax collectible on eligible supplies	\$60
Tax collectible on other supplies	<u>+ \$40</u>
Total tax collectible for the reporting period	\$100
Input tax credits (ITCs) claimed	<u>- (\$25)</u>
Net tax	\$75

If the registrant had not taken into account the tax on eligible supplies, the net tax would have been \$15 (\$40 in tax collectible, minus \$25 in ITCs). The registrant may therefore recover \$60 (\$75 - \$15) under the remission order.

How to recover an amount

You must file form FP-189-V, *General Rebate Application*, in order to recover an amount under the remission order. Be sure to clearly indicate on form FP-189-V that the claim relates to the remission order. The form must be filed with the office of the Ministère du Revenu du Québec in your area on or before March 5, 2001.

If you have already filed form FP-189-V within the statutory time limit to recover amounts reported in respect of eligible supplies, you must submit a separate rebate application under the remission order in order to recover amounts not included on the previous application (that is, amounts reported prior to the period covered by the previous claim).

If you continued to report tax on eligible supplies made after April 23, 1996, you may file a separate rebate application respecting the amounts.

QST system

The QST system has been harmonized with the GST/HST system in order to take into account the federal measure provided for in the Coin-Operated Devices Remission Order. The Remission regulation respecting certain coin-operated devices, made by the Québec government, grants tax relief similar to that available under the GST/HST system, as described in this article, with regard to the application of the QST and (in the case of supplies made prior to the introduction of the QST) with regard to the application of the retail sales tax.

The Remission regulation respecting certain coin-operated devices came into force on June 23, 1999, under Order in Council 655-99, which was adopted on June 9, 1999, and published on page 1634 in Part 2 of the *Gazette officielle du Québec*.





Flea Market Operators Are Required to Provide the Ministère du Revenu du Québec with a List of Occupants



You love shopping in flea markets. Just last month, you came across a real find—a magnificent antique clock. And aren't you sorry now you didn't go ahead and buy that set of English china, so hard to find nowadays? An older gentleman was forced to sell it because he was moving to a retirement home. You'll never let another bargain like that slip through your fingers!

You've been thinking that you need to clean out your own attic, so you decide to rent a table at your neighbourhood flea market. You're surprised when the flea market operator starts asking you questions. Why does the operator need all this information?

Obligations of flea market operators

Persons ("operators") who make spaces available to other persons ("occupants") wishing to sell new or used merchandise or offer services in a flea market or similar business must comply with the rules set forth in the Act respecting the

Québec sales tax. These rules may be summarized as follows:

- Once a month, operators of flea markets must provide to the Ministère du Revenu du Québec a list of the occupants of each flea market and other prescribed information. The forms to be used for this purpose are VD-350.44, *Déclaration concernant les marchés aux puces et autres commerces semblables* (statement concerning flea markets and other similar businesses), and schedule VD-350.44.A (where applicable). The form for a given month must be filed no later than the 14th day of the following month. The list of occupants may be printed on a facsimile of the prescribed form.
- Each time a list is submitted to the Ministère, the operator must post a similar list, containing only the names of the occupants for the period concerned, at his or her principal place of business and in an easily accessible location on the premises of the flea market.
- An operator who fails to file the required form (or a facsimile of it), with the prescribed information, or who fails to post the list of occupants, is liable to a fine of \$100 for each day of non-compliance, pursuant to section 350.46 of the Act respecting the Québec sales tax.

Obligations of occupants

When requested to do so, occupants must provide the operator of the flea market with the following prescribed information: name, address, social insurance number, commercial name, identification and file numbers for QST purposes, and the registration number for income tax purposes, where applicable. An occupant who fails to provide to the operator all the prescribed information, or who provides false information, is liable to a fine of \$100 for each day that he or she occupies a space in the flea market.

QST and GST/HST registration rules

Occupants of spaces in a flea market are subject to the same QST and GST/HST registration rules as the majority of other merchants. As a rule, they are considered small suppliers for a given year if their total sales did not exceed \$30,000 during the four calendar quarters preceding the year in question; small suppliers are not required to register for or collect the QST or the GST/HST on sales they make at the flea market. However, occupants of flea markets who do not qualify as small suppliers must register for and collect the taxes.

Used Road Vehicles: A New Reference Book for Determining Their Market Value

As of August 1, 1999, the *Guide d'Évaluation Hebdo (Automobiles et Camions Légers)*, published by *Hebdo Mag inc.*, will become the reference book to be used to determine the market value of used road vehicles. This guide will replace the *Guide d'Évaluation des Automobiles* and the *Guide d'Évaluation des Camions Légers*, produced by the same publisher.

Whenever a used road vehicle that is required to be registered under the Highway Safety Code is sold, 7.5% QST must be calculated on the higher of the following amounts: the agreed selling price or the estimated value of the vehicle (to which the GST has been added, where applicable). The estimated value of a used road vehicle is its average wholesale price, minus \$500.

Prepackaging of Sweetened Baked Goods and Similar Products

Most sweetened baked goods and similar products sold for home consumption, such as whole cakes or pies and family-sized packages of cookies, doughnuts or muffins, are zero-rated.

However, products such as cookies, doughnuts, muffins and similar products are GST-taxable at 7%, GST/HST-taxable at 15% (in Nova Scotia, New Brunswick and Newfoundland) and QST-taxable at 7.5% if they

- are prepackaged for sale to consumers in quantities of fewer than six single servings; or
- are not prepackaged and are sold in quantities of fewer than six single servings.

Bread products such as bagels, English muffins, raisin bread and croissants are zero-rated regardless of the quantities in which they are packaged or sold, provided they do not have a sweetened filling or coating.

Products are often prepackaged by the manufacturer for sale to consumers. As a rule, such packaging must meet the requirements set forth in the Consumer Packaging and Labelling Act. Accordingly, the packaging must provide information on certain characteristics of the products, such as ingredients and net weight. Products sold in packages providing this information are generally considered to be "prepackaged for sale to consumers," for GST/HST and QST purposes.

The presence of a Universal Product Code (UPC) bar, read by scanner-type point-of-sale equipment, is proof that a product has been prepackaged for sale to consumers. However, since UPC bars are not required under the Consumer Packaging and Labelling Act, the absence of such a bar does not necessarily mean that the product concerned has not been prepackaged.



Products sometimes have more than one level of packaging. For example, a 12-pack of tarts may contain six packages of two tarts each. In this case, the product is considered to be prepackaged for sale to consumers if the 12-pack is obviously intended for sale as one unit. However, if the product is not intended for sale as one unit—for example, as when the package is used as a retail display carton from which the two-packs are to be sold individually—the product is not considered to be prepackaged for sale to consumers. Both the two-packs, when sold individually, and the 12-packs are GST-taxable at 7%, GST/HST-taxable at 15% (in Nova Scotia, New Brunswick and Newfoundland) and QST-taxable at 7.5%.

Products that are bagged or boxed by a retailer for retail sale purposes are considered to be prepackaged for sale to consumers, provided they are bagged or boxed before they are available for sale. On the other hand, products that are bagged or boxed at the time of sale are not considered to be prepackaged.

Further information on prepackaged products is given in Memorandum 4.3, *Basic Groceries*, of the GST/HST Memorandum Series.

Down Payments: How Do the GST/HST and the QST Apply?

In certain sales transactions (such as the purchase of a household appliance), the vendor requires the buyer to pay a portion of the selling price at the time the sales contract is entered into, and the contract stipulates that the balance is payable upon delivery of the property acquired. This partial payment, referred to as the down payment, is subject to the GST/HST and the QST, which must be collected at the time the down payment is made.

Various factors determine when the GST/HST and the QST must be collected. As a rule, the taxes are payable on the earlier of the following dates: the date on which all or a part of the agreed amount for the property or service is paid, or the date on which all or a part of the agreed amount falls due. The amount is **paid** when the vendor receives the money in respect of the sale. The amount is deemed to be **due** on the earliest of the following dates:

- the date on which the vendor first issues an invoice;
- the date indicated on the invoice;
- the date on which the vendor would have issued an invoice, had it not been for an unjustified delay; or
- the date on which the amount is due under a written agreement.

Consequently, when property is purchased with a down payment and a balance payable upon delivery, the GST/HST and the QST in respect of the down payment must be collected at the time the down payment is made. However, if the invoice for the total agreed amount is issued at the time the down payment is made, the taxes on the total amount (that is, the selling price) must be collected at that time.

Interpretation Bulletins

Of the 25 interpretation bulletins published by the Ministère du Revenu du Québec in October, November and December 1998, 12 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.3/R6 List of prescribed income tax forms available to the public

IMP.128-14 Allocation of income and expenses between the business of a pharmacist and the business of the pharmacist's corporation

IMP.1056.4-1 Late, amended or revoked elections

IMP.1136-4/R3 Various inclusions in paid-up capital

IMP.1136-15/R1 Tax on capital: the financing of vehicles purchased for resale

LMR.27.3-1 Prescription respecting the recovery of fiscal debts

LMR.28-1/R40 Interest rates

LMR.28-1/R41 Interest rates

RRQ.1-1/R2 Status of workers

SPECIAL 117 Streamlining of alternative minimum tax calculation, and improved tax benefits relating to labour funds

SPECIAL 118 Adjustments to measures concerning the financial sector in Québec, and other tax measures

SPECIAL 119 Various tax changes

Consumption taxes

ADM.3/R6 List of prescribed consumption tax forms available to the public

CAR.6/R2 Tax refund

CAR.13/R1 Fuel used to operate a truck for farming purposes

LMR.27.3-1 Prescription respecting the recovery of fiscal debts

LMR.28-1/R40 Interest rates

LMR.28-1/R41 Interest rates

SPECIAL 101 Various tax changes

TVQ.82-3 Prearranged funeral services contracts

TVQ.521-2 Judicial sale, sale by judicial authority and sale by the creditor of corporeal movable property

TVQ.411-1 Highway freight carriers: registration for the QST

TVQ.677-1/R2 Identification of beer containers

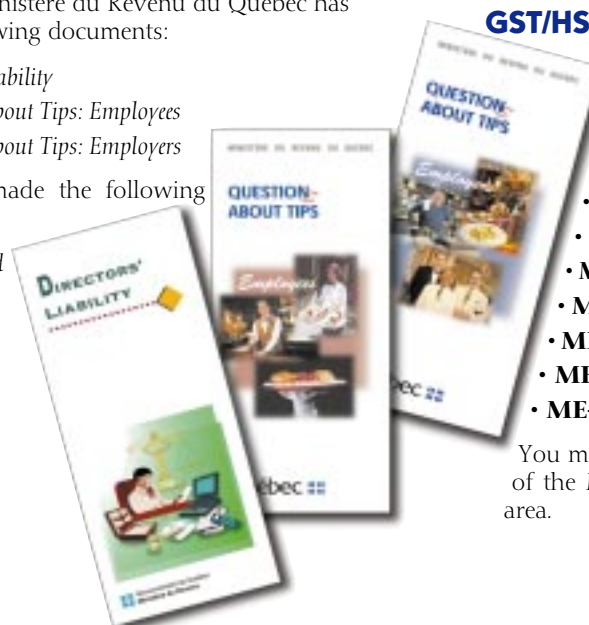
New Publications

In recent months, the Ministère du Revenu du Québec has made available the following documents:

- **IN-107-V** *Directors' Liability*
- **IN-251-V** *Questions about Tips: Employees*
- **IN-252-V** *Questions about Tips: Employers*

Revenue Canada has made the following documents available:

- **IN-4031-V** *Tax Refund for Visitors to Canada*



GST/HST Memorandums

- **ME-2.00-V** *Registration*
- **ME-2.01-V** *Required Registration*
- **ME-2.02-V** *Small Suppliers*
- **ME-2.03-V** *Voluntary Registration*
- **ME-2.04-V** *Branches and Divisions*
- **ME-2.05-V** *Non-Residents Registration*
- **ME-2.06-V** *Security Requirements for Non-Registrants*
- **ME-2.07-V** *Cancellation of Registration*
- **ME-17.01-V** *Definition of "Financial Instrument"*
- **ME-17.08-V** *Credit Unions*
- **ME-17.10-V** *Tax Discounters*

You may order these publications from the office of the Ministère du Revenu du Québec in your area.

POSTE MAIL

Société canadienne des postes / Canada Post Corporation
Port payé Postage paid

Publication
1469398
Québec



Pennies Count!

In the calculation of an amount of tax payable, a resulting fraction of \$0.005 or more is rounded off to \$0.01. If more than one item or service is purchased, the vendor may calculate the GST and the QST payable on the total price of the items or services before rounding off any fraction.

In the article entitled "Combined GST/QST rate," found on page 2 of the issue of *Tax News* for the second quarter of 1998, the amount of QST indicated (\$12.03) should in fact have been \$12.04, as follows: $\$172.53 \times 7.5/107.5 = \12.036 , rounded off to \$12.04.

Pennies, after all, can grow into dollars!

Tax News is published four times a year 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 Revenue Canada. All articles dealing with federal taxes have been approved by Revenue Canada and are identified by a maple leaf. *Tax News* also provides information on the administration of the QST, Québec consumption taxes and 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.

Articles may be reproduced as long as the source is given.

Tax News est disponible en français sous le titre *Nouvelles fiscales*.

If you have suggestions or comments, or wish to contact us about your subscription, write to the address below. Provide all pertinent information, including a copy of the last page of *Tax News* (on which your address is printed).

Tax News
Ministère du Revenu du Québec
3800, rue de Marly, secteur 2-3-2
Sainte-Foy (Québec)
G1X 4A5
Fax: (418) 646-0167

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

Manon Tremblay

ADVISORY COMMITTEE

Yves Bannon

André St-Onge

Sylvain Denault

Claudette Forgues

Carole Lafond

Ginette Landry

Claire Thibault

Marie-Paule Guilbault

(Liaison Officer, Revenue Canada)

EDITORIAL COMMITTEE

Marie Godbout

Carole Lafond

Manon Tremblay

TRANSLATORS

Susan Deichert

Mary Claire Dugas

Jonathan Keathley

Sarah McNeill

Joanne Velenovskiy

Julie Wilkinson

GRAPHICS

Christine Bleau

Legal deposit

Third quarter 1999

National Library of Canada

ISSN 1192-1730

IN-136.46-V

Canada

Québec