

Tax News

Second and third quarters 1999

In Brief

Corporate taxation measures effective as of July 1, 1999

The following tax measures, announced by the Minister of State for the Economy and Finance, Bernard Landry, in his Budget Speech of March 31, 1998, came into effect on July 1, 1999:

- an increase in the threshold at which restrictions on ITRs begin to apply;
- the elimination of the small business deduction;
- the elimination of the refundable tax credit for losses;
- improvements to the tax holiday for new corporations;
- the first of two reductions in the rate of the employer contribution to the health services fund. (Note: The first reduction actually came into effect on January 1, 1999, rather than on July 1, 1999, and its value was spread over the full year. The same procedure will be followed for the second reduction, which will come into effect on January 1, 2000.)

Failure to file GST and QST returns may delay rebates

At the time of registration for the GST and the QST, the Ministère du Revenu assigns you a reporting period. The reporting period, which is usually based on the annual taxable sales made by you and your associates in Canada, may be monthly, quarterly or annual, and is normally the same under the GST and the QST systems. You must file returns for each reporting period, even if you did not carry on commercial activities during a particular period. (The same rule applies in the case of returns you are required to file under other tax laws administered by the Ministère.)

If you do not file your return for a reporting period, the Ministère may withhold a rebate or refund that would normally be payable to you. This is the case not only for the QST and the GST, but also for source deductions and other taxes collected by the Ministère.

Obligations of employers that cease to operate a business

If you cease to operate your business, complete the detachable portion of return envelope ENV-111 (which is included with your remittance form), indicating the reason you ceased operations, and submit it within seven days after the cessation of your business activities, together with any outstanding source deductions, employer contributions and (if you are a specified financial institution other than a corporation) compensation tax.

Contact the Ministère to obtain temporary RL-1 slips and a copy of the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V). You must submit this form and copy 1 of the slips to the Ministère within 30 days after the cessation of your business activities. Copies 2 and 3 of the slips must be submitted to your former employees within the same 30-day period.

Contents

Cancellation of Registration for the GST and the QST: Consequences with Respect to Capital Property	2	Tax Recovery in 1998-1999	9	In Your Interest	14
Recent and Forthcoming Changes in Québec's Tax System	3	Volunteer Fire Organizations	10	Getting Ready for the Year 2000	14
Which Number?	7	Are Vocational Courses Tax-Exempt?	10	Interpretation Bulletins	15
Notice of Determination of a Loss	8	New Fiscal Measures Announced in a Notice of Ways and Means Motion	11	An Information Kit for Self-Employed Persons	15
How to Calculate ITRs and ITCs respecting the Purchase of a Computer	8	Doing Business with a Government? What about Taxes?	12	New Publications on Tips	16
		Barter Exchange Networks	13		

You must also remit the contribution to the financing of the Commission des normes du travail (CNT) and, if applicable, the contribution to the Fonds national de formation de la main-d'oeuvre within 30 days after you cease your business activities, when form RLZ-1.S-V is filed. Moreover, if you are an employer subject to the Act to foster the development of manpower training, you must file (within the same period) a statement of your participation in the development of worker training.

If you do not comply with these requirements, interest will be charged on

the amounts due and a penalty may be imposed.

Status Indians

In order to acquire goods and services on a reserve without paying tax, Indians must show proof that they are registered under the Indian Act. For individuals, the only document constituting such proof is the *Certificate of Indian Status* issued by the Department of Indian Affairs and Northern Development. Vendors cannot accept other documents (such as the card issued



by the Native Alliance of Québec) as proof that an individual is exempted from paying sales tax.

For further information on the conditions under which an Indian may acquire goods and services without paying GST or QST, see page 10 of the issue of *Tax News* published for the fourth quarter of 1998.

Cancellation of Registration for the GST and the QST: Consequences with Respect to Capital Property

In the article entitled "Cancellation of Registration" in the issue of *Tax News* published for the third quarter of 1998, the consequences of cancelling registration for the GST and the QST were given with respect to property other than capital property. The consequences with respect to capital property are outlined below.

A person who ceases to be registered is deemed to have sold, immediately before cancellation, capital property used in commercial activities; the person is also deemed to have collected tax equal to the basic tax content of the property at that time. Like most registrants, you can generally calculate the basic tax content of your property at a given time by following the four steps listed below.

Step 1

Calculate the total GST and QST payable on the property the last time it was acquired or imported.

Step 2

Add the GST and QST payable on the improvements made to the property.

Step 3

Subtract any amount respecting which a tax exemption, rebate or refund is anticipated under GST and QST legislation. Do not, however, subtract ITCs or ITRs.

Step 4

Multiply the result by the following fraction:
$$\frac{\text{fair market value of the property}}{\text{total cost} + \text{value of improvements (before tax)}}$$

This fraction must be less than or equal to 1.

The tax deemed to have been collected must be included in the calculation of the net tax for your last reporting period.

Example

In January 1997, a registered person purchased furnishings for \$10,000 and used them mainly in commercial activities.

Cost	\$10,000.00
GST (7%)	\$700.00
QST (6.5%)	<u>\$695.50</u>
Total cost	\$11,395.50

The person claimed ITCs and ITRs corresponding to the taxes paid.

On September 30, 1999, the person ceased to carry on commercial activities and therefore ceased to be a registrant. The fair market value of the furnishings is \$7,000. In calculating the net tax for the last reporting period, the person must include the GST and the QST equal to the basic tax content of the property on September 29.

GST	QST
Step 1: \$700.00	Step 1: \$695.50
Step 2: \$0	Step 2: \$0
Step 3: \$0	Step 3: \$0
Total: \$700.00	Total: \$695.50
Step 4: $700.00 \times \frac{7,000.00}{10,000.00} = 490.00$	Step 4: $695.50 \times \frac{7,000.00}{10,000.00} = 486.85$

Please note that the example given in the article entitled "Cancellation of Registration" (page 5 of the issue of *Tax News* published for the third quarter of 1998) should refer to an expense rather than to capital property.



Recent and Forthcoming Changes in Québec's Tax System

The Ministère des Finances, in information bulletin 99-1, published on June 30, 1999, explained the principal measures that will be introduced in order to improve the simplified tax system and announced a specific duty to be levied on new tires for road vehicles. The bulletin also outlined upcoming amendments to Québec fiscal legislation, many of which are designed to improve existing tax measures. Bulletin 99-2, published on July 15, 1999, announced changes respecting the eligibility of private broadcasters for the refundable tax credits respecting Québec film and television productions and respecting production services. These measures are summarized in this article.

Measures respecting consumption taxes

Québec sales tax

Refund of the QST paid by an exporter on an automotive vehicle purchased by the exporter's agent

Under an exceptional measure that came into force on July 1, 1999, an exporter may claim a refund from the Ministère du Revenu du Québec of the QST paid on a zero-rated automotive vehicle. To qualify for the refund, the vehicle must be **new**, and must have been purchased by an agent, acting on the exporter's behalf, from an automotive-vehicle dealer whose establishment is located in Québec. At the time of the purchase, the agent must not have been registered for the QST and must have been required to register the vehicle under the Highway Safety Code. Furthermore, the registration must have been cancelled within 15 days of the date the registration certificate was issued to the agent (since the vehicle was intended for export outside Canada), and the vehicle must have been exported within a reasonable time after its delivery.

To claim the refund, the exporter must file the prescribed form (VD-403.E-V) with the Ministère du Revenu du Québec, together with the prescribed supporting documents (which are listed on the form under the heading

"Documents required"). The exporter must meet the terms and conditions stipulated by the Ministère, and the refund application must be filed within 12 months following the date on which the exporter paid the QST on the vehicle concerned. No more than one application may be filed per calendar month.

Fuel tax

The following measures respecting the fuel tax came into force on July 1, 1999:

Refund of the tax paid on fuel used to power a propulsion engine for purposes other than propulsion

A refund may now be claimed with regard to gasoline and non-coloured fuel oil used to power the propulsion engine of a motor vehicle. Only the portion of the fuel used to activate auxiliary equipment by means of a power take-off gives entitlement to the refund (provided the auxiliary equipment does not propel the vehicle and is used for commercial or public purposes).

To claim the refund, the purchaser of the fuel must file the prescribed form, together with the required supporting documents, and must meet the applicable terms and conditions. A refund application must cover fuel purchases made over a minimum of three months (unless the fuel qualifying for the refund totals 3,000 litres or more) and a maximum of 12 months, and must be filed no later than 15 months following the date of the first purchase in respect of which the refund is claimed.

Issuing of fuel-oil colouring permits

Before July 1, 1999, a single fuel-oil colouring permit was issued to a person that coloured fuel oil, even if the person carried on this activity in more than one establishment. Since that date, a permit has been required for each such establishment. Consequently, if a person fails to fulfil the requirements of the fuel tax system with regard to one of the establishments where fuel is

coloured, only the permit for the establishment concerned will be revoked or suspended.

Introduction of a specific duty on new tires for road vehicles

In order to fund the Québec Program for the Integrated Management of Scrap Tires (administered by the Société québécoise de récupération et de recyclage, or RECYC-QUÉBEC), a specific duty on new tires¹ for road vehicles was introduced on October 1, 1999. As of that date, a duty is payable by any person who purchases such tires at retail in Québec or who brings such tires into Québec for purposes other than resale or installation on road vehicles intended for sale or long-term lease (12 months or more). The duty is \$3 per tire and must be paid at the time the tires are sold or brought into Québec. The duty also applies to new tires installed on a road vehicle purchased or leased on a long-term basis in Québec, as well as to new spare tires supplied with a road vehicle. The duty is included in the price of the tire and is thus subject to GST and QST. As a consequence of the new duty, small suppliers of new tires or road vehicles are now required to register for the QST.

If the specific duty of \$3 is not collected (or is not required to be collected) by an agent of the Ministère du Revenu, the purchaser of the tire must remit the duty to the Ministère, together with a duly completed copy of the form prescribed for this purpose.

As noted above, new tires acquired for resale or for installation on a road vehicle intended for sale or long-term lease are exempt from the specific duty. However, rules will be established to guarantee payment of the specific duty in cases where such tires are subsequently used for another purpose, either by the purchaser or by another person at the purchaser's expense.

1. The application of the duty is limited to new tires with a rim diameter of at least 24.5 inches (61.25 centimetres) and an overall diameter of no more than 48.5 inches (121.25 centimetres).

Measures respecting businesses

Integrated strategy for the knowledge-based economy

Adjustments have been made to the current rules respecting scientific research and experimental development (R&D) and the knowledge-based economy as a whole. The other sectors targeted by these measures are information technology development centres (ITDCs), the Cité du multimédia, the Centre national des nouvelles technologies de Québec (CNNTQ), “carrefours de la nouvelle économie” (new economy centres or CNEs), and the production of multi-media titles.

Scientific research and experimental development

The tax holiday granted to foreign researchers has been extended from two to five years. The period of time allotted to an employer to obtain an eligibility certificate for a foreign researcher has also been extended.

Information technology development centres (ITDCs)

The measures concerning ITDCs (first announced in the Budget Speech of March 25, 1997) are designed to support corporations that undertake to carry out innovative projects in the fields of new information technologies and communications, in buildings specifically designated for this purpose. The following changes have been made with respect to ITDCs:

- In respect of the tax holiday granted to foreign training instructors working in ITDCs,
 - the tax holiday for foreign experts working in ITDCs has been extended retroactively to March 26, 1997,
 - a transitional period with respect to the extension of the tax holiday to five years has been provided for, and
 - the administrative rules respecting eligibility certificates have been changed. (Applications for eligibility certificates must now be submitted to the Bureau de développement de la nouvelle économie.)

- The method for calculating the tax credit for wages has been modified.
- The eligibility criteria for specialized equipment have been broadened retroactively to March 26, 1997.
- The floor space of the Montréal ITDC has been increased.
- A new location has been designated for the Sherbrooke ITDC.

Cité du multimédia

The following changes (effective from June 16, 1998) have been made with respect to eligible corporations located in the Cité du multimédia:

- The restriction pertaining to the application for, and payment of, the refundable tax credits earned during the transitional period has been eliminated.
- Clarifications have been made with respect to the method for calculating the tax credit on the wages of eligible employees carrying on eligible activities.
- The eligibility criterion pertaining to the proportion of eligible activities that must be carried on in a designated building has been eliminated.
- The eligibility criteria for employees have been broadened to include employees receiving supplementary training.

Centre national des nouvelles technologies de Québec (CNNTQ) and “carrefours de la nouvelle économie” (CNEs)

As announced in the Budget Speech of March 9, 1999, eligible corporations that set up operations in designated premises of the CNNTQ or in a designated building of a CNE may claim a refundable tax credit with regard to the wages of their employees. A list of premises that may be officially designated as CNNTQ premises has been drawn up. Corporations wishing to consult the list may contact the Bureau de développement de la nouvelle économie (BDNE). The following changes, applicable from March 10, 1999, have also been made with respect to the CNNTQ and CNEs:

- The restriction pertaining to the application for, and payment of, the refundable tax credits earned during the transitional period has been eliminated.

- An adjustment has been made to the method for calculating the tax credit respecting the wages of eligible employees carrying on eligible activities.
- The eligibility criterion pertaining to the proportion of eligible activities that must be carried on in designated premises of the CNNTQ or in a designated building of a CNE has been eliminated.
- The eligibility criteria for employees have been broadened to include employees receiving supplementary training.

Production of multimedia titles

A new measure concerning the refundable tax credit for the production of multimedia titles extends the period during which the work performed to carry out the production stages of a multimedia title may qualify as “eligible production work.” This measure is designed to eliminate certain problems inherent in restricting the notion of “eligible production work” to the production stages leading up to the final version ready for marketing.

Furthermore, the definition of “eligible labour expenditures” has been modified to ensure that wages paid to eligible employees for the time they are engaged in supervision or direct support of activities relating to the production of multimedia titles are included in the calculation of such expenditures. This change applies in respect of taxation years ending after May 9, 1996.

Lastly, the BDNE is now responsible for the issuing of certificates relating to multimedia titles eligible for the general component of the tax credit, as well as certificates relating to corporations eligible for the new component of the tax credit. The BDNE will also grant loan guarantees to secure interim financing of this tax credit, as well as other tax credits related to the knowledge-based economy.

Refundable tax credit for technological adaptation services

Fiscal legislation will be amended to provide that the Ministère du Revenu may consult the Ministère de l'Industrie et du Commerce or the Ministère de la Recherche, de la Science et de la Technologie to determine whether a particular product or service qualifies

as a watch service or product, or as a liaison and transfer product or service. This measure will come into force as of the date on which the pertinent legislation takes effect.

Introduction of a refundable tax credit for the Cité de l'optique

Under the budget program designed to strengthen the role of Québec City in the fields of optics and photonics, funding will be provided for calendar years 1999 through 2002 in the following areas: joint business-university research projects emphasizing practical and marketable applications; pre-marketing or marketing projects for new processes or products developed by businesses in the Québec City region; and assistance for job creation for businesses setting up operations or expanding in the Québec City region.

Rounding out this budget program, a new refundable tax credit has been introduced in order to offset the costs related to the apprenticeship period of new employees. The tax credit rate is 40%.

Eligible corporations

In general, any corporation (other than an excluded corporation) that, during a calendar year, carries on a business and has an establishment in Québec, may, under certain conditions, claim the tax credit for that year.

More specifically, a corporation must carry on in the Québec City region, for the taxation year in which the calendar year ends, a business that manufactures and markets apparatus or equipment relating to the optics, photonics or laser sectors. The tax credit may be claimed by businesses whose activities consist in manufacturing, in whole or in part, apparatus or equipment relating to the fields of fibre optics, quantum optics, lasers, opto-electronics, imaging or optical information processing; secondarily, the business may be involved in marketing the apparatus or equipment. Nevertheless, any other business whose activities are related to these fields and that holds an eligibility certificate issued by the Ministère de l'Industrie et du Commerce may claim the tax credit.

Determination of the tax credit

The tax credit that may be claimed, in respect of a calendar year, by a newly constituted corporation setting up operations in the Québec City region is determined on the basis of the total increase in its payroll attributable to its eligible employees, subject, among other things, to the rules respecting associated corporations and respecting transfers of activities between employees.

Furthermore, where a wage expenditure for which a tax credit is granted is refunded to the eligible corporation, the tax credit is recovered according to rules similar to those applicable to the tax credit for job creation in the clothing and footwear industry. This tax credit cannot be used to reduce an eligible corporation's instalments of income tax and tax on capital.

Eligible employee

An eligible employee is an individual who is employed by an establishment of an eligible corporation located in the Québec City region and who is not a specified shareholder of the corporation. Such an employee must devote at least 90% of his or her time directly to the manufacturing or marketing of apparatus or equipment relating to the optics, photonics or laser sectors. The total amount of wages paid to eligible employees for a calendar year must be reduced by the amount of any government or non-government assistance and of any profit or benefit, as well as by the amount of wages in respect of which another refundable tax credit (excluding the tax credit for job creation) or a super-deduction for research and development has been granted. The new tax credit will not be treated as an amount of assistance or as an incentive payment.

Anti-avoidance rule

A corporation is not entitled to the tax credit if it conducts transactions or operations in respect of which it is reasonable to conclude that one of the primary goals is to enable the corporation to claim a tax credit which would not otherwise be granted.

Measures respecting culture

The measures respecting culture pertain to the refundable tax credits for Québec film and television production, for production services, and for sound recordings and musical productions.

Tax benefits respecting international financial centres (IFCs)

- The category of "strategic personnel" carrying out administrative support activities has been broadened.
- A transitional period has been provided for with respect to the extension to five years of the tax exemption for foreign specialists employed in an IFC.

Other measures

- The higher rates applicable to the tax credit for design activities have been extended for two years, in respect of both outside consulting contracts (the higher rates will apply to contracts entered into before January 1, 2002, for an eligible design activity carried out before January 1, 2003) and wage expenditures (the higher rates will apply to qualified wage expenditures incurred before January 1, 2002).
- The technical designation of the Montréal Foreign Trade Zone at Mirabel has been announced. Consequently, corporations that carry on a business within the trade zone, in the fields of international logistics, aircraft maintenance and repair, supplemental vocational training in aviation, or light processing, and for which the Minister of Finance has issued an eligibility certificate, will be granted tax benefits in the form of an exemption from income tax, tax on capital and the employer contribution to the health services fund. Such corporations will be granted a refundable tax credit respecting wages paid to eligible employees and fees incurred with respect to an eligible customs brokerage contract.
- For purposes of the application of the tax credit for job creation in the clothing and footwear industry, the amount of wages paid must be reduced by any wage expenditure included in the calculation of an expenditure in respect of which another refundable tax credit has been granted. Similar rules will apply to expenditures for which a super-deduction is granted.

Federal laws and regulations

Notice of Ways and Means Motion of December 8, 1997

- The proposal to incorporate into Québec fiscal legislation the measures respecting the liability of a taxpayer's representative has been suspended, pending further analysis.
- The measures respecting amounts held in trust and certain offences and penalties will not be incorporated into Québec fiscal legislation, contrary to what was initially announced.

Federal Budget Speech of February 24, 1998

Québec fiscal legislation will be amended to incorporate the federal measures concerning the foreign tax credit (with respect both to non-business income and to the business income of an individual). These measures will be adopted once the appropriate amendments (announced in the federal Notice of Ways and Means Motion) have been made to the Income Tax Act.

Federal news releases

Construction industry

The reporting process for contractual payments in the construction industry (proposed in the federal Budget Speech of February 24, 1998) will not be incorporated into Québec fiscal legislation.

Income tax payable by trusts

Québec fiscal laws and regulations will be amended so that the federal measures concerning the migration of taxpayers and concerning distributions made by trusts resident in Canada to non-resident beneficiaries (announced in the Notice of Ways and Means Motions of October 1996 and December 23, 1998) will apply as of the same date at both the Québec and federal levels.

Foreign banks

Québec fiscal legislation will be amended to incorporate most of the fiscal measures concerning foreign banks announced by the federal government on February 11, 1999, and on May 11, 1999.

Y2K compliance of computer systems

Québec fiscal laws and regulations will be amended so that the federal measures concerning tax relief for small- and medium-sized businesses, enabling them to resolve the problem of Y2K compliance of computer systems, will apply as of the same date at both the Québec and federal levels. Furthermore, the deadline for the acquisition of eligible computer hardware has been extended from June 30, 1999, to October 31, 1999.

Measures respecting individuals

Improvement of the simplified tax system

The simplified tax system has been modified, retroactively to the 1998 taxation year, to allow for the deduction of various amounts that were previously deductible only under the general tax system. Consequently, for 1998 and subsequent years, individuals who choose the simplified tax system may deduct from their income certain amounts, such as employment insurance benefits, old age security pension benefits, and the net federal supplements to be repaid when filing their federal tax return for the year. As a rule, they will also be entitled to deduct amounts withdrawn from deferred income plans (such as an RPP, RRSP or RRIIF) that must be included in their income, but that are deductible when transferred to a similar plan.

In addition, individuals with a severe and prolonged mental or physical impairment will be able to choose the simplified tax system without having to forego the deduction respecting the services of an attendant.

This fall, the Ministère du Revenu will begin reviewing the income tax returns filed for the 1998 taxation year in order to determine which system is more advantageous for the individuals concerned, taking into account these changes to the simplified tax system. Taxpayers who chose the simplified system and who are affected by these changes are invited to complete the *Request for an Adjustment to a Simplified*

Income Tax Return Filed for 1998 (form TP-1.R.S-V) and to send it to the Ministère du Revenu. Where appropriate, the Ministère will issue a notice of reassessment.

Other changes

For the 1999 taxation year, the flat amount of \$2,350 granted under the simplified tax system will be raised to \$2,430. Thereafter, the amount will be indexed annually to take into account adjustments respecting Québec Pension Plan contributions and employment insurance premiums. Furthermore, for 1998 and subsequent taxation years, taxpayers may refuse to have the Ministère determine their tax payable under the rules of the simplified tax system.

Technical clarifications

The following points have been clarified:

- The definition of child-care expenses has been clarified to ensure that it includes certain expenses paid for pre-school education services.
- The tax treatment of indemnities for travel expenses granted to members of the Kativik Regional Government has been harmonized with the treatment of indemnities received by members of the council of a regional county municipality.
- The rules concerning the tax treatment of amounts paid to a worker during the first five days of absence due to precautionary cessation of work have been clarified to indicate that these amounts constitute wages, not a tax-exempt indemnity.
- Adjustments have been made to take into account benefits that are received as a spouse's allowance or a supplement under the Old Age Security Act and that are subsequently repaid to the federal government.
- For the purposes of the calculation of taxable income, a restriction has been placed on the deductibility of amounts subject to federal income tax on old age security benefits (the "recapture" tax).

Other fiscal measures

In order to clarify the obligations of taxpayers in respect of record-keeping, the Act respecting the Ministère du Revenu will be amended to specify that all persons that carry on a business, or that are required to pay taxes or to deduct, withhold or collect an amount under a tax law, must maintain records and books of account at their establishment or residence in Québec, or at any other place the Minister of Revenue designates, according to the terms and conditions the Minister specifies. Under certain conditions, the Ministère du Revenu may authorize a taxpayer to maintain records and books of account outside Québec.



Which Number?

Your customers who are GST and QST registrants may need certain information in order to claim the ITCs and ITRs to which they are entitled. For example, in the case of a sale totalling \$50 or more, they may ask you for your Business Number (for GST purposes) and your MRQ identification number (for QST purposes).

Business Number (BN)

The Business Number has two components, namely, the registration number and the account identifier. The registration number is composed of nine digits, while the account identifier consists of two letters followed by four digits. The letters designate the type of account (for example, "RT" means a GST/HST account), and the digits correspond to the account number. For instance, in the case of a business with two establishments, one of the establishments will necessarily be assigned the number 0001 and the other 0002, as the account number is always in reference to the number of establishments operated by the business.

On sales invoices, you may indicate only the registration number.

MRQ identification number

The MRQ identification number is made up of 10 digits, and is followed by the file number, which is composed of two letters and four digits. The letters of the file number designate the type of account (for example, "TQ" means a QST account), while the digits correspond to the account number. The MRQ identification number is not the same thing as the Québec enterprise number (NEQ).

Be sure to enter your MRQ identification number (not your NEQ) on sales invoices, where necessary.

Registration with two government departments

The Québec enterprise number (NEQ) is assigned by the Inspector General of Financial Institutions, under the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons, and is recorded in the register pertaining to such entities. The NEQ is a 10-digit number that identifies businesses in their dealings with government departments and agencies.

New corporations (legal persons) must register with the Inspector General of Financial Institutions in order to obtain their NEQ. However, they are also required to register with the Ministère du Revenu du Québec in respect of the various laws administered by the Ministère. To do so, they must complete form LM-1-V, *Application for Registration*, even if they are not required to register for consumption taxes such as the GST/HST and the QST or for source deduction purposes (because they do not have employees). Once they submit form LM-1-V, the Ministère will assign them a registration number for the purposes of corporation income tax.

Notice of Determination of a Loss

Upon receipt of an income tax return, the Ministère du Revenu du Québec reviews the return, determines the income tax payable (if any) and issues a notice of assessment to the taxpayer. If the amount of income tax assessed by the Ministère is different from the amount estimated in the taxpayer's return and the taxpayer does not agree with the Ministère's assessment, the taxpayer may file an objection respecting the notice. It should be noted, however, that a person who has no income tax payable for a taxation year cannot object to the notice of assessment received respecting that year.

When a taxpayer sustains a loss (non-capital loss, net capital loss, farm loss, restricted farm loss, or limited partnership loss), the amount of the loss indicated on the taxpayer's notice of assessment may differ from that reported in the taxpayer's return. Such a discrepancy does not necessarily result in an increase of income tax payable.

A taxpayer who receives a notice of assessment indicating that the Ministère has revised the amount of the loss reported in his or her return cannot object to the notice of assessment if he or she does not have income tax payable. However, the taxpayer can request that the Ministère issue a notice of determination respecting the loss. Such a request can be made at any time.

Moreover, the taxpayer can ask that the notice of determination be issued immediately or in the taxation year to which the loss is carried over. If the taxpayer chooses the latter option, he or she may file an objection respecting both the notice of determination and the notice of assessment issued for the year to which the loss is carried over. However, the prescribed deadlines for contesting a notice of determination are the same as those for filing an objection or appeal.

Finally, it should be noted that a notice of determination is binding on the Ministère du Revenu and the taxpayer for the purposes of calculating taxable income for any other taxation year.

How to Calculate ITRs and ITCs respecting the Purchase of a Computer

Before you begin calculating the ITR and ITC you may claim respecting the purchase of a computer, you must first determine the class of the computer for the purpose of calculating your income.

The depreciable property that gives entitlement to capital cost allowance in the calculation of a person's income is divided into various classes, which are listed in Schedule B to the Regulation respecting the Taxation Act and Schedule II to the Income Tax Regulations.

As a rule, general-purpose electronic data-processing equipment (other than point-of-sale equipment) is included in class 12. To calculate the ITR and ITC applicable, you must first determine whether or not the property is considered to be capital property (capital property is included in class 10, non-capital property in class 12); then, you must take into consideration the percentage of use of the property in commercial activities.

Calculation of the ITR

If your computer is included in class 12 of Schedule B to the Regulation respecting the Taxation Act, you may claim a deduction of 100% for income tax purposes. In this case, your computer is not considered to be capital property within the meaning of the Act respecting the Québec sales tax and you are entitled to an ITR, provided you acquired the computer or brought it into Québec for use, consumption or supply in the course of your commercial activities.

If the computer is included in class 10 of Schedule B to the Regulation, it constitutes capital property and you are entitled to an ITR, provided you use the computer principally (more than 50%) in your commercial activities.

Calculation of the ITC

Under the GST system, a computer constitutes capital property because it is included in class 10 of Schedule II to the Income Tax Regulations. You are therefore entitled to an ITC respecting the computer if you use it principally for your commercial activities.



Example 1

On February 15, 1999, a registrant operating a services business purchased a computer that she uses 75% of the time for her commercial activities and 25% of the time for personal activities. She paid \$5,000, plus \$350 GST and \$401.25 QST, for the computer.

The computer is included in class 12 under the Québec income tax system and in class 10 under the federal system.

The registrant is therefore entitled to

- an ITR equal to \$300.94 (75% of the QST paid), on the basis of the percentage of use of the computer in the registrant's commercial activities;
- an ITC equal to \$350, that is, the GST paid on capital property used principally (more than 50%) in the registrant's commercial activities.

Example 2

On May 15, 1999, a registrant who is a dentist purchased a computer for \$5,000, plus \$350 GST and \$401.25 QST. The computer is used entirely (100%) for the registrant's commercial activities (75% of the activities are tax-exempt and 25% are taxable).

The computer is included in class 12 under the Québec income tax system and in class 10 under the federal system.

The registrant is therefore

- entitled to an ITR equal to \$100.31 (25% of the QST paid), on the basis of the percentage of use of the computer in the registrant's commercial activities; but
- not entitled to an ITC, because the capital property is not used principally in the registrant's commercial activities. (The registrant's activities consist in making exempt supplies; as a result, the registrant is not considered to be carrying on a commercial activity.)



Tax Recovery in 1998-1999

In 1998-1999 the Québec government recovered \$1,179.1 million in taxes, in addition to \$367.4 million recovered on behalf of the federal government with respect to the GST. Overall, the Ministère du Revenu recovered \$1,546 million, of which 72.5% was levied from businesses. Thus, over the past year, the fight against the underground economy and tax evasion has helped to alleviate the unfair competition to which too many Québec businesses are still subjected.

As the principle of tax fairness applies bilaterally, the government was not alone in 1998-1999 in benefiting from the audits conducted by the Ministère du Revenu. Refunds totalling \$202.4 million were granted to taxpayers, and in particular to agents of the Ministère who had failed to file their consumption tax returns. By submitting the missing returns, the agents were able to receive the refunds to which they were entitled.

The tax recovery objective for 1999-2000 remains unchanged, at \$1,176 million.

Results of tax recovery in 1998-1999

(from both the fight against tax evasion and regular recovery operations)

	\$M	Percentage (%)
Agriculture and food industries	12.4	1.0
Restaurant and hotel sector	94.7	8.0
Associations and other services	49.9	4.2
Automobile sector	63.5	5.4
Communications and other public services	3.8	0.3
Construction sector	112.3	9.5
Various manufacturing activities	89.6	7.6
Various retail businesses	18.1	1.5
Various wholesale businesses	44.4	3.8
Education, recreation, culture and sports	30.2	2.6
Finance, insurance and real estate	117.0	9.9
Natural resources	33.7	2.9
Personal services and domestic services	25.7	2.2
Professional services	85.7	7.3
Transportation sector	33.8	2.9
Clothing, textiles and jewellery	40.1	3.4
Other	273.7	23.2
Horizontal projects		
Investments	31.4	2.7
Credits, deductions and other	5.6	0.5
Wealth vs. income indicators	13.5	1.1
Total	1,179.1	100

Tax recovery in 1998-1999, by administrative region

01- Bas-Saint-Laurent	18.5	1.6
02- Saguenay—Lac-Saint-Jean	21.5	1.8
03- Québec	100.7	8.5
04- Mauricie	18.6	1.6
05- Estrie	24.8	2.1
06- Montréal	401.3	34.0
07- Outaouais	34.9	3.0
08- Abitibi-Témiscamingue	16.9	1.4
09- Côte-Nord	13.8	1.2
10- Nord-du-Québec	2.3	0.2
11- Gaspésie—Îles-de-la-Madeleine	10.4	0.9
12- Chaudière-Appalaches	50.1	4.2
13- Laval	52.8	4.5
14- Lanaudière	35.9	3.0
15- Laurentides	64.2	5.4
16- Montérégie	147.4	12.5
17- Centre-du-Québec	17.2	1.5
Regions outside Québec	136.6	11.6
Undefined region	11.2	1.0
Total	1,179.1	

THE UNDERGROUND ECONOMY
IT'S WRONG ECONOMY
THE ONLY THE UNDERGROUND ECONOMY



Volunteer Fire Organizations

Most fire protection services are provided by municipalities and are exempt from the GST/HST. In some municipalities, however, and particularly in areas without municipal structures, fire protection services are provided by volunteer fire organizations.

Volunteer fire organizations such as volunteer fire co-ops and departments are created by groups of individuals to provide fire protection services in areas that are without municipal structures. To ensure that the supply of fire protection services by volunteer fire organizations is exempt from consumption tax, these organizations may be determined to be municipalities for GST/HST purposes.

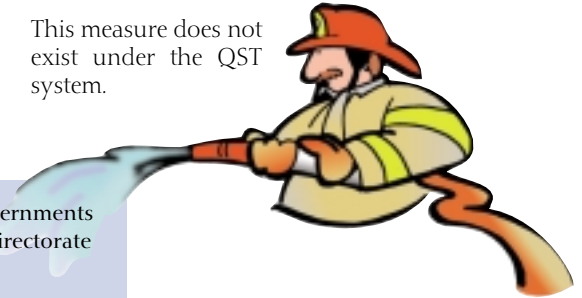
This determination also entitles volunteer fire organizations to the 57.14% municipal rebate with respect to the GST/HST paid on purchases they must make in order to provide these services.

If your volunteer fire organization wishes to be determined to be a municipality, please write to:

Director, Public Service Bodies and Governments
GST/HST Rulings and Interpretations Directorate
Policy and Legislation Branch
Revenue Canada
Ottawa, Ontario K1A 0L5

Municipalities in areas served by volunteer fire organizations should inform the organizations that such a determination is possible.

This measure does not exist under the QST system.



Are Vocational Courses Tax-Exempt?

Courses provided by vocational schools, school authorities, universities and public colleges ("educational institutions") are exempt from GST/HST and QST if the courses lead to a certificate, diploma, licence (or permit) or similar document, or to a class or rating in respect of a licence (or permit), that attests to the competence of an individual to practise a trade.

The criterion with respect to the attestation of competence is considered to be met if the certificate, diploma, licence (or permit) or similar document certifies the student's successful completion of a course in vocational training, as assessed on the basis of the student's performance on one or more examinations or projects, or on graded material. Attesting to the student's presence at such courses is not sufficient for this criterion to be met.

Preparatory courses for licences, permits or certificates issued by the federal government or a provincial government must also meet the criterion with respect to the attestation of the individual's competence to practise a trade. In addition, the educational institution in question must fulfil the afore-

mentioned requirements with respect to exemption from consumption taxes. For further information, refer to the following interpretation bulletins, published by the Ministère du Revenu du Québec:

- TVQ.127-2 "Vocational School Supply of an Educational Service respecting the Operation of Heavy Equipment"; and
- TVQ.127-3 "Vocational School Supply of an Educational Service in Respect of Truck Driving."

It should be noted that, in order for vocational courses to be exempted from tax under the Excise Tax Act and the Act respecting the Québec sales tax, one of the following three conditions must also be fulfilled:

- 1-The document (for example, a diploma, certificate or licence or permit), class or rating is prescribed by federal or provincial regulation.
- 2-The educational institution is governed by federal or provincial legislation respecting vocational schools.
- 3-The educational institution is a public institution or a non-profit organization.

A private school that offers vocational courses in Québec is governed by legislation respecting vocational schools if it holds a licence issued by the Direction de l'enseignement privé of the Ministère de l'Éducation du Québec under the Act respecting private education. However, a private vocational school that offers courses both in Québec (where it does not hold a licence from the Direction de l'enseignement privé) and in another province (where it is governed by a statute of that province respecting private vocational schools) is considered by the Ministère du Revenu du Québec to be governed by legislation respecting vocational schools; furthermore, the courses given by the school in Québec are considered exempt supplies if the other conditions for exemption set forth in the Excise Tax Act and the Act respecting the Québec sales tax are also met.



New Fiscal Measures Announced in a Notice of Ways and Means Motion

GST/HST system

A Notice of Ways and Means Motion to amend the Excise Tax Act was tabled in the House of Commons on June 4, 1999. The motion reintroduces and refines GST/HST measures previously announced¹ and supersedes earlier motions pertaining to the same measures.

The Notice of Ways and Means received first reading as Bill C-88 on June 11, 1999. While most of the proposed amendments contained in the Bill had been announced previously, the Bill also introduced several new measures in the area of tax administration and enforcement.

The GST/HST measures proposed in Bill C-88 are principally aimed at improving the administration of the tax in various sectors and ensuring that the legislation is in keeping with policy intent. In some cases, adjustments were made to the proposed legislation in response to representations from tax specialists and the business community.

The following is an outline of the objectives underlying the proposed legislation, as they affect the areas indicated:

- **Oil, gas and electricity industries:** facilitate compliance and avoid the taxation of exports.
- **Non-residents and cross-border transactions:** enhance the visitor rebate program by extending existing relieving provisions for the convention industry and extending the rebate to certain campsite rentals; zero-rate air navigation services in relation to international flights; refine the rules for exports by common carriers.
- **Business arrangements:** improve the rules relating to barter exchange networks, direct sellers, closely related groups that include Canadian partnerships, promotional allowances, patronage dividends, sale-leaseback arrangements, and meal and entertainment expenses.

- **HST-related provisions:** refine transitional rules and other special rules relating specifically to the HST.
- **Financial services:** refine provisions applicable to investment plans and segregated funds, construction performance bonds, precious metal refiners, sales of accounts receivable, and the deemed trust for GST/HST collected.
- **Real property:** clarify the rules affecting builders of multiple-unit residential complexes situated on leased land, including a more precise definition of the term "lease" in respect of land; clarify the rules exempting supplies made by a condominium corporation and supplies of parking spaces when the supplies are related to detached single residential condominium units.
- **Health:** provide for a rebate of tax in respect of the cost of specially equipping motor vehicles for individuals with disabilities; exempt respite care services; maintain the exemption for speech therapy services until the end of the year 2000; ensure that osteopathic services are exempt.
- **Charities and public service bodies:** enhance the fairness of the tax as it applies to charities; refine the streamlined accounting method for charities; provide for a partial rebate of the provincial component of the HST to selected public service bodies in Newfoundland and Labrador that are also charities, public institutions or qualifying non-profit organizations.
- **Provincial gaming authorities and other provincial Crown agents:** clarify the special rules for determining the net tax of provincial gaming authorities; allow certain provincial Crown agents to be governed by the same capital property rules as those that apply to public service bodies.

- **Administration and enforcement:** ease compliance in certain areas; harmonize similar rules under the different tax statutes; specify to what extent Revenue Canada may use third-party information and clarify the Crown's power to advance alternative arguments in support of an assessment on appeal; and ensure that the garnishment provisions apply to payments by a province to a tax debtor.

QST system

The measures that are applicable under the QST system will be discussed in the next issue of *Tax News*.

1. The earlier measures were announced on March 20, 1997, November 26, 1997, August 7, 1998, October 8, 1998, December 10, 1998, and January 9, 1999.



Doing Business with a Government? What about Taxes?

If you are registered for the GST/HST and the QST and you make supplies to the federal government or to a provincial or territorial government, you must find out which government entities are not required to pay GST/HST or QST on their purchases.

Supplies to the federal government

GST/HST

The federal government and its corporations and agencies pay GST/HST on taxable acquisitions. Therefore, registrants that make taxable supplies to the federal government must collect and remit GST/HST just as they do respecting supplies made to other customers. Moreover, the federal government must collect and remit GST/HST on any taxable goods or services it supplies.

QST

As a rule, the federal government and its corporations and agencies do not, in light of their tax immunity, pay QST on taxable property or services acquired in Québec. Certain Crown corporations and certain organizations, however, do pay QST on their acquisitions of taxable property and services, just like any other recipient. Such entities include Air Canada, the Bank of Canada, the Canada Council, the Royal Canadian Mint, Canada Post Corporation, the CBC, Teleglobe Canada, and VIA Rail Canada Inc.

To simplify administrative procedures, the federal government and its corporations and agencies pay QST on the following acquisitions:

- property and services acquired by employees of a government entity in their own name in the course of employment-related travel, including supplies of transportation, meals, accommodation and taxi services, as well as incidental travel-related expenses;
- property and services paid for out of petty cash.

Like other suppliers, the federal government and its corporations and agencies must collect QST on their taxable supplies as well as the specific taxes owing in respect of certain property and services (alcoholic beverages, fuel, tobacco products and insurance premiums).

Supplies to a provincial government

GST/HST

Participating provinces

The governments of Nova Scotia, New Brunswick and Newfoundland and Labrador (the participating provinces) and their corporations and agencies are required to pay GST/HST on their taxable acquisitions. Therefore, registrants must collect GST/HST on taxable supplies made to these governments, just as they do on supplies made to other customers.

Non-participating provinces (including Québec) and territorial governments

The governments of the other provinces, including Québec, and the three territories (the Northwest Territories, Nunavut and the Yukon Territory) are not subject to GST/HST.

QST

Given its tax immunity, the Québec government is not required to pay QST on its purchases. The other provincial governments (including those of the participating provinces) also have immunity and are therefore exempt from paying QST on property and services acquired in Québec.

Like other suppliers, the Québec government and its departments, agencies and mandataries must collect QST on their taxable supplies, as well as the specific taxes owing in respect of certain property and services (alcoholic beverages, fuel, tobacco products and insurance premiums).

Proof necessary

GST

A government whose purchases are not subject to the taxes may send a certificate with its order or include a certification clause with the other purchase documents. The certificates serve as proof that the supply is being acquired by a provincial or territorial government and is therefore not subject to GST/HST. The registrant must keep the purchase documents with the certificate in the event of an audit.

Where a provincial or territorial government entity acquires supplies from a registrant on a regular basis, a written document is often not given for each transaction. The government entity may use a "blanket certificate" or general certification clause for orders. Such a certificate or certification clause is simply expanded to define the group of purchases.

QST

Persons responsible for acquisitions made by the Québec government and its departments, agencies and mandataries must certify to suppliers that they are exempted from paying QST on the supplies acquired. This certification may be in the form of an exemption certificate consisting of a written and signed statement attesting that the property and services are not subject to QST since they are being acquired by the Québec government or its departments, agencies or mandataries. The statement may appear directly on the purchase contract or purchase order or be contained in a separate document remitted to the suppliers.

Persons responsible for acquisitions made by the federal government and its corporations and agencies must certify to suppliers that they are exempted from paying QST on the supplies acquired. This certification may be made by means of an exemption certificate, on a purchase order, etc.

Purchases made by government employees

Purchases made by employees of a government entity in their own name in the course of official business are subject to GST/HST and QST. Examples of these types of purchases include

- reimbursable expenses incurred by an employee for transportation, meals, accommodation, taxi services and incidental business travel expenses;
- purchases made by employees that are reimbursed through petty cash;

- credit card purchases which are made with a credit card issued in the name of the employee.

ITCs and ITRs

Registrants may claim ITCs and ITRs respecting taxes paid or payable on purchases used to make taxable supplies to the federal government, the Québec government or to another provincial or territorial government.



Barter Exchange Networks

A barter exchange network is a group of persons who have agreed in writing to accept credits (barter units) in exchange for property or services that they trade among themselves. The accounts of the group members are maintained by an administrator, who is responsible for administering, maintaining, or operating a system of members' accounts to which barter units may be credited.

Members of designated barter exchange networks who are GST/HST or QST registrants must continue to charge tax on their taxable supplies of the property or services they provide in exchange for barter units. The tax on such property or services is calculated on the exchange value of the barter units accepted as consideration. However, it is now possible to "designate" barter exchange networks, in which case transactions involving barter units accepted in exchange for supplies of property or services are exempt from GST/HST and QST.

If the barter exchange network is not designated, the consumption taxes are generally payable on the supply of the barter units themselves, where the supply is made by a registrant.

Procedure for designation

The administrator of a barter exchange network may apply to have the network designated for the purposes of

the GST/HST and QST. An application for designation with respect to the GST/HST will be accepted prior to the date of Royal Assent (that is, the day the proposed legislation becomes law), but the designation will not take effect until that date.

Where an application is received up to six months after the date of Royal Assent, the designation may come into effect on the date of Royal Assent, provided the barter exchange network has been operating since that date.

If the effective date of designation of the barter exchange network is the date of Royal Assent, no tax is payable on the supply of a barter unit by a member of the network or the administrator, at any earlier time, provided no amount of tax was actually collected on that supply of the barter unit.

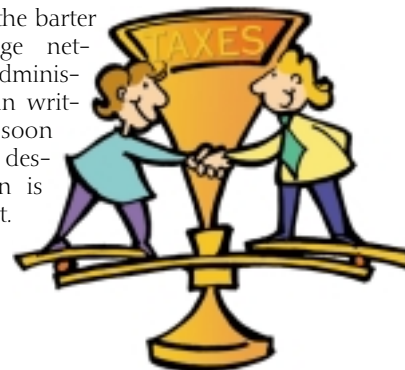
A letter of application for designation must contain the following information:

- the name of the barter exchange network;
- the name, address, telephone number, trading name and business numbers of the administrator of the barter exchange network;
- the effective date requested (this can be the date on which the proposed legislation receives Royal Assent or any later date);
- a copy of the standard membership agreement of the barter exchange

network, describing the responsibilities of the members and the administrator;

- a statement by the applicant, to the effect that the applicant meets the definition of the term "administrator" of a barter exchange network within the meaning of subsection 181.3(1) of the Excise Tax Act; and
- a statement by the applicant, certifying that, to the best of the applicant's knowledge, the information given in the application and any attached document is accurate and complete. The statement must be signed by the administrator or an individual authorized to sign on behalf of the administrator.

The letter of application must be sent to the following address: Direction des lois sur les taxes, le recouvrement et l'administration, Direction générale de la législation et des enquêtes, Ministère du Revenu du Québec, 3800, rue de Marly, Sainte-Foy (Québec) G1X 4A5. The Ministère will notify the barter exchange network administrator in writing as soon as the designation is in 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 July 1, 1998, to December 31, 1999, are listed below.

Period	Annualized interest rate* (%)	Penalty rate (%)
1998		
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	4.8132	6
July 1 - Sept. 30	4.7609	6
Oct. 1 - Dec. 31	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 July 1, 1998, to December 31, 1999.

1998		Interest rate (%)
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	9
Oct. 1 - Dec. 31	Refunds	4.25
	Debts	9

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.



Are you ready?

Are you ready for the year 2000? We at the Ministère du Revenu du Québec certainly are! All our systems, computers, programs, software and specialized equipment have been tested and adapted for problem-free passage into the new millennium.

Countdown to January 1, 2000

If you use computers or other specialized equipment, you should be getting ready for the year 2000. It is essential to ensure that your systems have been adapted to meet the new century: January 1, 2000, is just around the corner.

The Québec government and the year 2000

Perhaps you are wondering how far along the other government departments and agencies are in their preparations for the year 2000. To find out, visit the Québec government's "An 2000 du gouvernement du Québec" Web site at the following address: www.an2000.gouv.qc.ca.

Interpretation Bulletins

Of the 26 interpretation bulletins published by the Ministère du Revenu du Québec in January, February and March 1999, 13 deal with income tax and 13 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. 4/R1 Voluntary disclosures

IMP. 28-5/R1 Separate businesses

IMP. 771-8 Investment income included in the computation of a corporation's gross income for the purposes of section 771R3 of the Regulation respecting the Taxation Act

IMP. 1000-1/R12 Requirements for computer-generated forms and facsimiles

IMP. 1000-1.2/R8 Requirements for facsimiles of RL slips

IMP. 1057.1-1/R1 Extension of the time limit for filing an objection

IMP. 1156-10/R1 Life insurance policy loan

INDEX Alphabetical index of subjects

LMR. 28-1/R42 Interest rates

LMR. 95.1.3-1 Extension of the time limit for filing an appeal

SPECIAL 120 Application of the corporate taxation reform, and other tax measures

SPECIAL 121 The Regulation respecting fiscal privileges granted to members of a diplomatic mission or consular post and to the members of their families, and other regulations to amend various regulations of a fiscal nature, including the Regulation respecting contributions to the Québec Pension Plan

SPECIAL 122 Detailed fiscal measures announced in the Budget Speech - Income tax

Consumption taxes

ADM. 4/R1 Voluntary disclosures

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SPECIAL 104 Detailed fiscal measures announced in the Budget Speech - Consumption taxes

T.V. 205/R1 Long-term leasing of interprovincial transportation vehicles

TVQ. 16-18/R2 Interprovincial and international highway transportation equipment

TVQ. 16-25 Long-term leasing of vehicles assigned to interprovincial transportation

TVQ. 206.1-6 Restriction on ITRs respecting road vehicles of less than 3,000 kilograms

TVQ. 212-3 Employee professional membership dues

TVQ. 222.2-1 Installation of mobile homes on sites situated in residential trailer parks, and the development of such sites

An Information Kit for Self-Employed Persons

The Ministère du Revenu du Québec now has an information kit for self-employed persons. The kit, which is entitled *Self-Employment and Taxation* (DIV-550.T-V), is composed of the following information documents on taxation:

• *Are You Self-Employed? Aide-mémoire on Taxation* (IN-300-V, 1999-03)

• *Instalment Payments of Income Tax* (IN-105-V, 1999-07)

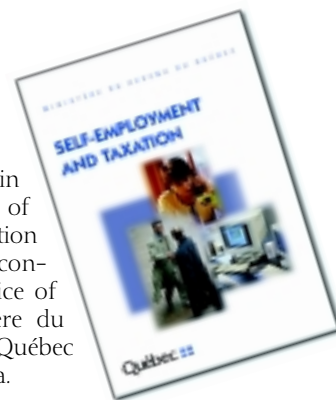
• *Should I Register?* (IN-204-V, 1997-06)

• *Form LM-1-V, Application for Registration* (1997-10), and its return envelope

• *Business and Professional Income* (IN-155-V, 1998-12)

• *Le NEQ : numéro d'entreprise du Québec*, published by the Inspector General of Financial Institutions

To obtain your copy of the information kit, simply contact the office of the Ministère du Revenu du Québec in your area.

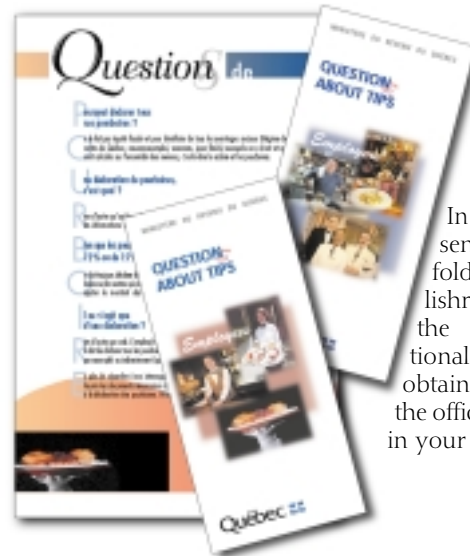




New Publications on Tips

The Ministère du Revenu du Québec recently published two folders on tips: *Questions about Tips: Employers* (IN-252-V) and *Questions about Tips: Employees* (IN-251-V). These publications are intended for employers, and for employees who receive tips, in the restaurant and hotel sector.

The folders provide answers to the questions you may have had since the new measures respecting tips were introduced in January 1998. A poster (IN-254) outlining the main points of the folders is also available (in French only).



In July, the Ministère sent copies of the folders to all establishments covered by the measures; additional copies may be obtained by contacting the office of the Ministère in your area.

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 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.

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

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

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

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

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