

# Tax News

Second quarter 1998

## In Brief

### References to sales taxes in advertising

Advertising which implies that the GST and the QST do not have to be paid has been banned since July 1, 1998. Bill 161, which was assented to in December 1997, amends the Consumer Protection Act (Statutes of Québec) in order to prevent any false, disconcerting or misleading representations from being made in tax-related advertising. Thus, advertising aimed at denying or misrepresenting the existence of taxes is prohibited. Refer to the article published on this subject in the issue of *Tax News* for the fourth quarter of 1997.

### Passage of Bill 424

Bill 424, An Act to amend the Taxation Act and other legislative provisions of a fiscal nature, was assented to on June 12, 1998. The main object of the bill is to bring Québec fiscal legislation into line with that of the federal government. Thus, most importantly, Bill 424 gives effect to the harmonization measures announced in the Budget Speech

delivered by the Québec Minister of Finance on May 9, 1996, and in the Minister's Statement of December 19, 1996. However, Bill 424 also gives effect to certain measures provided for in the Budget Speeches delivered by the Québec Minister of Finance on March 25, 1997, and March 31, 1998.

Bill 424 amends the Taxation Act primarily for the purpose of introducing changes similar to those made to the Income Tax Act by federal Bill C-92 (S.C., 1997, c. 25), assented to on April 25, 1997. In particular, the amendments

- relax the rules governing the refundable tax credit for child-care expenses;
- exclude child-support payments from the calculation of the recipient's income and from the amounts deductible from the payer's income, where the support is paid under a first written agreement entered into, or a first court order handed down, after April 30, 1997 (or, in certain cases, where the support awarded is affected by a written agreement

entered into, or a court order handed down, before May 1, 1997);

- render certain amounts ineligible as scientific research and experimental development expenditures;
- exclude Canadian oil and gas property expenses from the flow-through share mechanism applicable to the natural resource sector;
- extend, from 60 days to 12 months after the end of the year, the period during which certain resource expenses can be incurred and be deductible in the year by the purchaser of a flow-through share;
- target the insurance sector, primarily to ensure greater concordance between various provisions that may be used by insurance companies in calculating their income for a given year and those indicated in their financial statements.

Bill 424 also modifies the Taxation Act and various other statutes to make technical amendments, including consequential and terminological amendments.

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## QST is not charged on books

Under the QST system, the sale or rental of a printed book or its update is zero-rated if the book or update bears an International Standard Book Number (ISBN). The same is true of the sale or rental of a talking book or its medium acquired by a person with a visual impairment.

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## Tax status of frozen shrimp rings or shrimp boats

Certain arrangements of prepared food (for example, platters of meat or cheese) are specifically excluded from the GST/HST and QST zero-rating provisions. Thus, since frozen rings or boats of cooked, peeled and deveined shrimp, as well as fresh or thawed shrimp rings or boats, are considered arrangements of prepared food, they are taxable at 7% under the GST system, at 15% under the GST/HST system (participating provinces) and at 7.5% under the QST system.

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## Purchase of an immovable by a registrant

Persons registered for the GST and the QST that acquire an immovable ("real property," for GST purposes) that is not a residential complex must remit the taxes themselves to the Ministère du Revenu du Québec. Since January 1, 1997, registrants have not been required to complete form FP-60-V or VD-438-V. Registrants that use the immovable primarily in their commercial activities must report and remit the taxes when they file form FP-500-V, *Detailed Calculations – Goods and Services Tax or Québec Sales Tax*. Registrants that do not use the immovable primarily in their commercial activities must complete instead form FP-505-V, *Special-Purpose Return*, to be filed with the Ministère no later than the end of the calendar month following the month in which the taxes become payable.

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## Combined GST/QST rate

The combined GST/QST rate became 15.025% on January 1, 1998. Factor 7.5/107.5 must be used to extract the QST from a selling price that includes both the GST and the QST; factor 7/115.025 must be used to extract the GST. Thus, to determine the amount of QST and GST paid on an item sold for \$172.53, taxes included, the following operations must be done:

### QST

$$\$172.53 \times 7.5/107.5 = \$12.03$$

### GST

$$\$172.53 \times 7/115.025 = \$10.50$$

Price of the item: \$150

## Food Supplements: Taxable or Zero-Rated?

Certain liquid food supplements are subject to the Québec sales tax (QST) and the goods and services tax (GST). Such supplements are not considered to be beverages and are therefore taxable under the QST system if they meet the following criteria:<sup>1</sup>

- They are taken with a spoon and not drunk from a glass.
- They are not consumed for pleasure or to quench a thirst.

In addition, food supplements made from synthetic or natural ingredients and produced in tablet, pill, capsule, granulated or powdered form are **taxable**. The same is true of appetite

suppressants sold in pill, tablet or capsule form. Such food supplements are commonly sold by drugstores and health-food stores.

However, food supplements in granulated or powdered form sold as ingredients to be mixed with foods or beverages, or used in their preparation, are **zero-rated**, provided such supplements when mixed with water do not produce a non-carbonated fruit-juice or fruit-flavoured beverage containing less than 25% by volume of

- a natural fruit juice or combination of natural fruit juices; or

- a reconstituted natural fruit juice or combination of reconstituted natural fruit juices.

Meal-replacement bars and beverages are also **zero-rated**.



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1. Since Revenue Canada has not yet defined the term "beverage," these criteria do not apply for the purposes of the GST system.



## Tax Measures Announced on June 23, 1998

Information bulletin 98-3, made public on June 23 by the Minister of State for the Economy and Finance, Bernard Landry, contains a number of tax measures, including measures related to the Cité du multimédia and information technology development centres. These measures are listed below.

- **Cité du multimédia.** The tax assistance granted to eligible corporations that set up an establishment in the Cité du multimédia will take the form of a refundable tax credit equal, for the first year, to 60% of eligible wages incurred by such corporations and paid to eligible employees to carry out eligible activities in designated buildings in the city of Montréal; the assistance will be limited, however, to \$25,000 (on an annual basis) per eligible employee. With regard to wages incurred after June 15, 1999, but no later than December 31, 2008, the tax credit rate will be reduced to 40% and the maximum tax assistance to \$15,000.
- **Information technology development centres (ITDCs).** Improvements have been made to the ITDC program. They are designed, essentially, to harmonize certain aspects of the program with measures concerning the Cité du multimédia.
- **Financial sector.** Certain adjustments will be made to the measures designed to promote the development of the financial sector in Québec that were announced in the Budget Speech of March 31, 1998. Moreover, further changes will be made with respect to international financial centres (IFCs); these changes relate mainly to administrative support activities of IFCs, the acceptance and issuing of letters of credit, the refundable tax credit respecting the apprenticeship period of young IFC employees, the operation of an IFC by a partnership, and work carried out almost exclusively for a corporation operating an IFC. Other changes announced in information bulletin 98-3 concern the refundable tax credit respecting the apprenticeship period of young portfolio managers and tax preferences designed to foster the creation of investment funds.
- **Québec film and television production.** The task force whose creation was announced in the Budget Speech of March 31, 1998, has completed its work. Two proposals have been retained, one concerning the eligibility of the productions of private broadcasters and their subsidiaries for the tax credits respecting Québec film and television production, and the other concerning the eligibility of variety shows and magazines for these tax credits.
- **Broadening of the sectors of activity eligible for the QBIC program.** Where at least 25% of a corporation's activities consist in the operation of an applied research laboratory, at the time a QBIC makes an investment in the corporation, the corporation is considered to be working in a sector eligible for the QBIC program. Previously, the percentage was 50%.
- **Designation of new eligible university entities.** For the purposes of the refundable tax credit of 40% granted with respect to scientific research and experimental development, the Institut des biomatériaux du Québec and the Centre de développement rapide de produits et de procédés have been recognized as eligible university entities.
- **Regional venture capital corporations (RVCCs).** The rule prohibiting an RVCC from holding more than 50% of the assets of a regional joint investment venture has been rescinded.
- **Tax credit for on-the-job training periods.** Formerly, the training period respecting which the tax credit could be claimed was limited to 20 weeks. Under the new rules, a training period of a maximum of 20 consecutive weeks, followed by a return to studies, qualifies for the credit. As well, the measure pertaining to the obligation to remunerate trainees takes effect on a later date.
- **Tax on capital.** Corporations that engage in financial leasing will no longer be required to include, in the calculation of their paid-up capital, the reserve for losses respecting a leasing contract shown in financial statements prepared according to generally accepted accounting principles.
- **Reporting of tips.** Tips will be included in the calculation of the insurable payroll used to determine contributions to the Commission de la santé et de la sécurité du travail (CSST). Consequently, employers will be able to claim the tax credit respecting the reporting of tips with regard to the CSST contributions payable on tips. These changes will apply to pay periods ending after December 31, 1998.
- **Supplementary deduction of 25%** (for taxpayers who acquire an asset entitling them to the 100% accelerated depreciation deduction). For the purposes of the supplementary deduction of 25%, a new rule requires taxpayers to include in the calculation of their income 25% of the lower of the following amounts: the assistance received after the deduction is claimed (the federal investment tax credit, for example); the recapture of capital cost allowance (depreciation).
- **Simplified tax system.** Certain adjustments have been made to the simplified tax system, which will be implemented as of the 1998 taxation year. First, taxpayers who choose the simplified tax system will no longer be obliged to calculate the alternative minimum tax and to remit (where applicable) the amount of tax payable. Second, taxpayers who are under 65 may, under both the simplified and general tax systems, determine the amount of retirement income giving entitlement to certain tax credits in accordance with the rules applicable to taxpayers aged 65 or over. The credits in question are those granted to a person living alone and those granted with respect to age and with respect to retirement income.

- **Source deductions of personal income tax.** Under a measure that took effect on January 1, 1998, the flat amount of \$2,350 normally replaces certain tax deductions and credits in the calculation of income tax source deductions. However, some taxpayers who are entitled to more than \$2,350 in deductions and credits have noted that the amount of their source deductions is too high. As of January 1, 1999, the income tax source deductions of an individual will take into account not only the flat amount, the deduction for residents of designated remote areas and the deduction for support payments made, but also the **amount for a person with a severe and prolonged physical or mental impairment** (or such amount not used by the individual's spouse or dependant).
- **Child-care expenses paid to a school day-care service.** As announced on April 1, 1998, by the Minister of Education, Pauline Marois, parents whose child regularly attends a school day-care service will pay, as of September 1998, a maximum contribution of five dollars per day for basic services provided to the child. This contribution will not give entitlement to the refundable tax credit for child-care expenses. However, expenses paid to a school day-care service for the care of a child who does not use the service on a regular basis

will continue to qualify for the credit. The same is true of the additional financial contribution parents must pay for services provided over and above the basic services rendered to a child who attends a school day-care service on a regular basis.

- **Refundable Québec sales tax (QST) credit.** The refundable QST credit granted to an individual will be reduced by the credits the individual receives in advance as a recipient of last-resort assistance benefits.
- **Emergency call (911) services.** Under existing QST measures, 911 emergency call services acquired by a municipality are exempt if they are provided by a paramunicipal organization of the municipality, by another municipality, or by a board or other organization established by a municipality. The services are taxable if the municipality acquires them from another type of supplier. Under changes to be made to the QST system, all 911 emergency call services provided to a municipality on or after June 24, 1998, will be exempt regardless of the supplier.
- **Input tax refunds (ITRs) respecting 1 877 telephone services.** Under a measure effective April 5, 1998, large businesses registered for the QST may claim ITRs respecting 1 877 telephone services. The code 1 877 is in fact an extension of the 1 800 or 1 888 telephone service.

- **Duties on transfers of immovables.** The Act respecting duties on transfers of immovables will be amended to exempt transfers of certain immovables from the payment of transfer duties, effective June 24, 1998. Exempt immovables are those not included on an assessment roll because they are part of a telecommunications, gas distribution or electricity distribution network.
- **Harmonization with federal tax laws and regulations.** Québec tax laws and regulations will be amended to incorporate the following federal measures: the measures announced in the federal budget of February 24, 1998, with regard to moving expenses and with regard to loans granted to employees; the measures announced in a press release on April 14, 1998, extending the transitional relief related to the relocation of employees; and the tax relief measure announced by the Minister of Finance on June 11, 1998, under which small and medium-sized businesses will be entitled to a deduction of up to \$50,000 for accelerated depreciation, respecting computer hardware and software acquired to replace systems that are not adapted to the year 2000. The measures referred to in this paragraph will take effect on the same dates as under federal legislation.



## Registration of Members of a Partnership

There has been some question as to whether members of a partnership, other than individuals, may voluntarily register for the purposes of the GST/HST and the QST, if they do not carry on commercial activities in Canada (in Québec, under the QST system) otherwise than as members of the partnership.

Since April 24, 1996, the Ministère du Revenu du Québec has allowed members of a partnership, other than individuals, to voluntarily register for the purposes of the GST/HST and the QST even if they do not carry on commercial activities in Canada (in Québec, under the QST system) otherwise than as

members of a partnership. As GST/HST registrants, they may claim input tax credits (ITCs) with respect to expenses relating to the partnership's commercial activities; similarly, as QST registrants, they may claim input tax refunds (ITRs) respecting such expenses.

**Corporations** that are members of a partnership and that were not registrants before April 24, 1996, may register retroactively for the purposes of the GST/HST and the QST, and claim ITCs and ITRs by the statutory time limits. Corporations that are members of a partnership and that were registrants before April 24, 1996, but did not carry on commercial activities

in Canada (in Québec, under the QST system) otherwise than as members of a partnership need not retroactively cancel their registration for the period preceding that date.

Members of a partnership **that are not corporations or individuals** may register retroactively and claim both ITCs and ITRs by the statutory time limits; however, the retroactive date of registration may not be before April 24, 1996.

It should be noted that voluntary, retroactive applications for registration must be received on or before October 24, 1998.





# Confidentiality of Information at the Ministère du Revenu du Québec

Trust is the cornerstone of Québec's tax system. This means that information obtained by the Ministère du Revenu in applying fiscal laws must remain confidential. Although the principle of confidentiality is set out in the Act respecting the Ministère du Revenu, the Ministère has also developed a departmental policy establishing guidelines with respect to confidentiality and the disclosure of information held for the purpose of administering fiscal laws, social programs and the Act to facilitate the payment of support. The terms of this policy, defined in March 1998, are outlined below.

## General principles

Employees who are called on to communicate confidential information verbally or in writing must establish the identity of the recipient of the information and provide only that information to which the recipient is entitled.

## Confidential information

Information obtained in the course of applying a fiscal law or administering social programs, or for the purpose of collecting support payments, is confidential. The term "information" means most of the data concerning a person, that is, both financial data and data pertaining to the person's identity. When the file of an agent or a taxpayer must be consulted in order to process a request, the Ministère considers that such information is confidential.

The Ministère du Revenu may disclose to a person any confidential information that is necessary for the purpose of applying a fiscal law in relation to that person. This means that the Ministère may, when issuing a notice of assessment to a person, provide that person with confidential information obtained with respect to another person if it is reasonable to consider that the information is necessary to justify the assessment.

For example, the Ministère may inform a person of the amount of his or her spouse's income that was used in the calculation of a tax credit granted to the

person. However, it would not be reasonable to disclose the source of the income.

## The identification number of an agent

An agent's identification number and Québec enterprise number (NEQ) are considered confidential information. These numbers may be disclosed only to the authorized representative of the artificial person or to the individual in question. However, an unauthorized person may receive confirmation of whether or not a person is registered for the purposes of a statute administered by the Ministère.

## Representatives

Any person who holds a **written mandate** from another person (including his or her spouse) is authorized to act on the other person's behalf. A person is not automatically entitled to information concerning his or her spouse.

The following persons may act as the representative of a taxpayer or agent (provided proof is furnished): a curator (including the Public Curator), the liquidator of a succession (testamentary executor), a notary who is involved in concluding a sales contract with respect to an immovable, a trustee, a person who prepares paycheques or income tax returns, and EFILE preparers.

The president, vice-president, secretary and treasurer are generally recognized as authorized representatives of corporations. A former director or officer of a **dissolved provincially licenced corporation** may not obtain confidential information concerning the corporation. In this case, the Public Curator is the only person authorized to exercise the corporation's rights and recourses. In the case of a **dissolved federally registered corporation**, however, a former director or officer may continue to act as the corporation's authorized representative with respect to procedures undertaken before the dissolution.

## Mandate (power of attorney)

A mandate (or a power of attorney) is a document authorizing a person to act on behalf of the signatory, or to obtain information concerning the signatory. The text of the mandate must be broad enough to ensure that the person authorized is entitled to receive confidential information. The Minister of Revenue or the Ministère du Revenu (and not the Minister of Finance or the Ministère des Finances) must be clearly designated in the mandate. Moreover, the document must be relatively recent to be considered valid (generally less than two years old, according to case law). The model recommended is form MR-69-V. Form FP-153-V applies only to mandates respecting the GST.

## Means of communication

Photocopies of returns may be remitted only to the person concerned, or to the person's authorized representative.

The Ministère generally accepts faxes of documents, but may request that the original of a document be mailed or submitted in another manner.

The transmission of confidential information by fax is the subject of a departmental policy, which stipulates that faxes may be sent only if

- the information is being transmitted to the taxpayer or agent, the taxpayer's or agent's representative, or a person who is legally entitled to the information;
- the situation is urgent (a situation is not considered to be urgent simply because the addressee requests that a document be transmitted by fax, or because a document is to be transmitted to the Public Protector); and
- the nominative information is blacked out.

The time at which documents containing confidential information are to be faxed must be agreed upon in

advance with the addressee, who must subsequently confirm receipt of the documents in question. This procedure also applies to the transmission of a registration number.

Confidential information may not be left on a telephone answering machine.

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## Taxpayer services

### Communication with the person concerned

When an individual or agent **reports to an office of the Ministère**, he or she must show identification. In the absence of such identification, the procedure concerning information transmitted by telephone (described in the second paragraph below) is applied.

The answer to a **letter** from an individual or agent may be given verbally or in writing to the individual or agent, or to the authorized representative.

If confidential information contained in an individual's or agent's file is consulted during a **telephone call**, the staff member of the Ministère who takes the call must first establish the caller's identity by obtaining certain personal data.

### Communication with a representative

The following rules apply to communications with all representatives (that is, representatives of individuals or artificial persons, including employees).

#### If the Ministère contacts the representative

If it is the Ministère who initiates communication, for example by sending documents to the individual or agent, the procedure is the same as the one that applies to communications with the person concerned. The staff member of the Ministère must therefore establish the identity of the representative in the same way as if the representative were the person in question. The staff member must also obtain information about the scope of the representative's mandate.

#### If the representative contacts the Ministère

If it is the representative who initiates communication, the staff member of the Ministère must ensure that the representative is indeed authorized by the person concerned. The representative (a natural or artificial person) is entitled to obtain information concerning the person if the representative's name appears in certain files of the Ministère (for example, the mandate management system or the registration system). If the representative's name does not appear in these files, the representative must send to the Ministère either written authorization confirming the mandate to act as the representative of the individual or agent or, if it is not possible to provide written authorization, a council resolution (for example, a municipal council resolution) or the resolution of the board of directors of the entity in question.

Staff members of the Ministère do not require a written mandate if the person who reports to the office of the Ministère possesses all the qualifications of an authorized representative. The Ministère may accept as an authorized representative an individual who states that he or she is the mandated representative of another person, and who has knowledge and documents relating to the other person's file. In such cases, the individual or agent in question may be required to confirm the representative's status by telephone.

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## Changes of address

### By an individual or agent

An individual or agent who wishes to inform the Ministère of a change of address must provide the former address and certain personal data. Changes given by individuals or agents through an automated voice response system are also subject to this procedure.

### By a representative

An authorized representative may inform the Ministère of a change of address of an individual or agent according to the procedure given in the section "Communication with a representative - If the representative contacts

the Ministère." However, a change of address of the head office of an artificial person must be communicated to the Ministère in writing.

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## Communications with third persons who provide information

Communications with third persons who provide confidential information are permitted, for example, in order to correct transmission or balancing errors. However, the Ministère may not provide a third person with confidential information that the third person has not already obtained, unless the third person holds a mandate or is the authorized representative. This rule applies, in particular, to electronic document transfers, and to services that prepare tax documents such as paycheques or income tax or consumption tax returns.

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## Applications for registration

Form LM-1-V, by which a person may apply for registration for the purposes of the QST, the GST, the tax on insurance premiums, Québec source deductions and Québec corporation income tax, must be signed by an authorized person.

If the application for registration is submitted by an individual, the individual or an authorized representative must sign the form.

If the application for registration is submitted by a partnership, one of the partners or an authorized representative must sign the form.

In the case of an application for registration submitted by a corporation, however, the signature of a director is not sufficient. The form must also be signed by the president, secretary or treasurer of the corporation. Any other person, including the vice-president, must provide a resolution of the board of directors, which may be faxed to the Ministère.

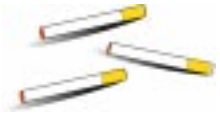
This procedure also applies to applications to vary registration, to applications made using the *Registration Form and Permit Application* (form LM-1.CT-V, by which a person may apply for registration and permits for the purposes of the tobacco tax and fuel tax), and to applications to amend form LM-1.CT-V.



## Taxes on Tobacco

On June 23, 1998, tobacco products became zero-rated for the purposes of the QST. Moreover, the specific tax rates applicable to tobacco were changed as follows:

- The specific tax rate applicable to cigarettes was raised to 4¢ (from 2.97¢) per cigarette. The increase also applies to cigars that retail at 15¢ or less apiece.
- The specific tax rate of 1.19¢ per gram of loose tobacco was increased to 1.90¢ per gram.
- The specific tax rate of 0.59¢ per gram of leaf tobacco was raised to 0.83¢ per gram.
- The *ad valorem* tax rate applicable to cigars was increased to 60% (from 57%) of the retail price of cigars that retail at more than 15¢ cents apiece.
- The specific tax rate applicable to tobacco other than cigarettes, loose tobacco, leaf tobacco and cigars was raised to 4.54¢ (from 3.48¢) per gram. The rate applicable to tobacco sticks was increased to 2.95¢ (from 2.26¢)



per stick, where the quantity of tobacco contained in the sticks would result in tax payable of less than 2.95¢ per stick sold.

The chart below provides a breakdown of the federal and Québec taxes levied per carton or pack of cigarettes. In the example, a carton of cigarettes costs \$30.39 (taxes included), in accordance with an estimate by the Ministère des Finances du Québec, and a pack costs \$3.80 (taxes included).

	Before June 23, 1998		On or after June 23, 1998	
	Carton (8 x 25)	Pack (1 x 25)	Carton (8 x 25)	Pack (1 x 25)
Cost of the cigarettes	\$12.73	\$1.59	\$12.73	\$1.59
Federal excise tax	\$2.25	\$0.28	\$2.25	\$0.28
Federal excise duty	\$5.50	\$0.69	\$5.50	\$0.68
Québec tobacco tax	<u>\$5.94</u>	<u>\$0.74</u>	<u>\$8.00</u>	<u>\$1.00</u>
Subtotal	\$26.42	\$3.30	\$28.48	\$3.56
GST (7%)	\$1.85	\$0.23	<u>\$1.99</u>	<u>\$0.249</u>
QST (7.5%)	<u>\$2.12</u>	<u>\$0.27</u>	-	-
TOTAL	\$30.39	\$3.80	\$30.47	\$3.81



## A Word from Our Auditing Branch

In the issue of *Tax News* for the second quarter of 1997, we published an article concerning the tax treatment of contributions made to authorized Québec provincial political parties. Additional information is provided below.

To give entitlement to the tax credit for contributions to authorized Québec provincial political parties, an amount paid to the official representative of an authorized political party, the authorized authority of an authorized political party or an authorized independent candidate must be considered a political contribution under the Election Act.

An amount may be considered a contribution only if it is paid by a constituent out of his or her own property. Consequently, the tax credit can be allowed only with respect to a contribution made under these circumstances.

Constituents cannot claim the tax credit if they know, prior to making a contribution, that they are entitled to a refund of the amount paid to an official representative of an authorized political party, or that they can reasonably expect to obtain a refund. The chief electoral officer, who, among other things, is responsible for the application of the Election Act, considers that in such cases the contribution is not paid by the constituent out of his or her own property.

Moreover, the tax credit is reserved exclusively for individuals that are constituents under the Election Act. Consequently, a corporation or partnership cannot request the tax credit. Similarly, the members of a partnership cannot claim the credit with respect to political contributions made by the partnership.

Lastly, individuals who claim the tax credit must enclose with their income tax return a receipt from an official representative of the authorized political party, the authorized authority of the authorized political party or the authorized independent candidate, or any person designated by the official representative.





# Changes to the GST/HST System, Announced in the Federal Budget of February 24, 1998, and Integrated into the QST System

In the issue of *Tax News* for the first quarter of 1998, it was announced that certain federal measures applicable to the GST/HST would be integrated into the QST system. The measures are described below.

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## Foreign conventions, short-term accommodation, visitor rebate claims

- Organizers or sponsors of foreign conventions in Canada (in Québec, for QST purposes) are entitled to a rebate of 50% of the GST/HST and the QST paid on food, beverages, and catering services related to the conventions. This change applies to foreign conventions held after February 24, 1998, where all admissions are sold after that date.
- A rebate of the GST/HST and the QST paid on campsite fees (including hook-up charges) may be claimed with respect to campsites made available after June 1998. Campsites not included in a tour package give entitlement to a rebate of the actual tax paid or \$1 a night, where the campsites are made available on or after July 1, 1998. Similarly, the formula for calculating the rebate respecting tour packages, based on a flat amount per night, has been amended to allow a rebate of \$1 for each night a campsite is included in the tour package. This change applies with respect to any accommodation in Canada (in Québec, for QST purposes) that is part of a tour package (either short-term accommodation or a campsite) made available on or after July 1, 1998.
- The monthly and quarterly filing restrictions for visitor rebate claims have been eliminated.
- Revenue Canada has proposed enhanced verification procedures for rebate claims filed with respect to goods exported from Canada. These procedures call for the inspection of goods at land border crossings, airports, and other exit points, and are consistent with procedures in other countries that have value-added tax systems similar to the GST/HST and that refund the tax on purchases made by non-residents. More information on the proposed procedures will be announced after further consultation with affected industry members.

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## Services provided by designated charities

Most services provided by charities are exempt from the GST/HST and the QST. Under the new measures, where one of a charity's main activities is the provision of care or employment assistance to persons with disabilities, and where the charity also provides services performed on a regular basis by such persons, the charity may apply for a designation to have all of its services provided to registrants subject to the GST/HST and the QST. This allows the charity to claim input tax credits and input tax refunds.

The designation does not apply to such services when they are supplied to a public sector body, or to a board, commission or other body established by a government or municipality. These particular services, and most other services supplied by charities, remain exempt under current provisions. As well, a public institution (a charity that is

also a school authority, public college, university, hospital authority, or local authority determined to be a municipality) is not eligible for the designation.

A designated charity may use the Special Quick Method of accounting to calculate its net tax. The simplified net tax calculation normally used by charities cannot be used by designated charities.

These measures apply to supplies made by designated charities effective the first day of a reporting period beginning after February 24, 1998, as specified in the notice of designation.

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## Charities operating bottle return depots

A charity operating a bottle return depot is now allowed to claim a net tax deduction or refund equal to 7% (15% in participating provinces<sup>1</sup>) of the portion of any deposit refunded in respect of a container returned on or after April 1, 1998, provided the depot refunds both the deposit and the amount of the tax deduction or refund to the person returning the container. This change has been integrated into the QST system.

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## Respite care

The exemption for services provided by health care institutions and home care services that are government-funded has been extended to all businesses that provide care and supervision of individuals who have limited capacity for self-supervision and self-care due to an infirmity or disability. Such services include temporary daytime or overnight care.

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1. Nova Scotia, New Brunswick and Newfoundland



This change applies to services provided principally at the supplier's establishment after February 24, 1998. The change-of-use rules that might otherwise apply as a result of the change in tax status of the supplier of these services do not apply to the reporting period that includes February 25, 1998.

### Direct sellers

Under the GST/HST and the QST systems, direct sellers may apply to use an alternate collection method regarding sales made through independent sales contractors. The following changes have been made:

- Effective with respect to amounts that become due after February 24, 1998, and were not paid on or before that date, the GST/HST and the

QST do not apply to shipping, handling, or order processing fees related to either the price of a direct seller's exclusive products or cost of sales aids, where the fees are charged by a direct seller (or an approved distributor) to an independent sales contractor, or between independent sales contractors.

- As regards sales made after February 24, 1998, relief is provided with respect to certain bad debts of independent sales contractors. This relief enables a direct seller (or an approved distributor) to claim a deduction from net tax where the direct seller or distributor has paid or credited the amount of the deduction to the independent sales contractor who has written off the bad debt. The calculation of the deduc-

tion and the treatment of any subsequent recovery of the bad debt are similar to the rules that apply under the general GST/HST and QST provisions relating to bad debts.



## Deadlines for Claiming ITCs and ITRs

The deadlines for claiming input tax credits (ITCs) under the GST system and input tax refunds (ITRs) under the QST system have been modified, further to the passage of federal bill C-70 in March 1997 and Québec bill 161 in December 1997.

Previously, persons claiming an ITC or an ITR had to do so within four years after the due date of the return for the reporting period during which the GST or QST became payable. Under the amending legislation, the deadlines for claiming ITCs and ITRs vary according to whether or not the registrant is a "specified person." Certain new rules have also been introduced.

### Definition of "specified person"

Under subsection 225(4.1) of the Excise Tax Act and section 431.1 of the Act respecting the Québec sales tax, a person is a "specified person" during a reporting period if

- the person is a listed financial institution (as defined in subparagraphs 149(1)(a)(i) to (x) of the Excise Tax Act

and section 1 of the Act respecting the Québec sales tax) during the reporting period, or

- the person's threshold amounts, for both the fiscal year including the reporting period and the previous fiscal year, exceed \$6 million, unless, in the case of a person who is not a listed financial institution during the reporting period, the person is a charity during the reporting period or all or substantially all of the supplies made by the person during either of the person's two fiscal years immediately preceding the particular fiscal year (other than supplies of financial services) are taxable supplies.

### Persons who are not "specified persons"

A person who is not a specified person may generally claim ITCs and ITRs on or before the due date of the return for the person's last reporting period that ends within four years after the end of the period in which the GST and QST become payable.

### Example

ABC inc. is a registrant whose reporting periods are quarterly, and is not a specified person. During the period from October 1 to December 31, 1996, ABC inc. purchased equipment (to be used entirely in commercial activities) for \$1,000, plus \$70 in GST and \$69.55 in QST. However, ABC inc. did not claim an ITC or ITR in its return for the reporting period during which the purchase was made.

If ABC inc. wishes to claim the ITC and ITR respecting this purchase, it must do so by the due date of the return for the period from October 1 to December 31, 2000, that is, by January 31, 2001.

(continued on page 16)

# Most Frequently Asked Questions about the GST/HST and the QST

The following are some of the most frequently asked questions about the goods and services tax (GST), the harmonized sales tax (HST) and the Québec sales tax (QST), as noted by our tax information service. Where detailed information on these topics has been provided in past issues of *Tax News*, or where more definitive information is contained in other publications, these sources are provided.

## Am I entitled to an input tax credit (ITC) or an input tax refund (ITR) on the passenger vehicle I recently purchased for my business?

Special rules apply to the calculation of ITCs and ITRs that may be claimed by registrants who acquire passenger vehicles for use as capital property in their

commercial activities. The rate varies according to the type of registrant, the cost of the vehicle, and the extent to which the vehicle is used in the registrant's commercial activities.

Please note that, under the QST system, restrictions on ITRs apply to road vehicles that must be registered under the Highway Safety Code to be driven on public roads (with the exception of

vehicles and trailers weighing 3,000 kg or more), and to the fuel used in such vehicles (with the exception of fuel oil). These restrictions apply in the case of businesses whose taxable sales exceed \$6 million annually (or, as of July 1, 1999, \$10 million annually).

### ITCs and ITRs that may be claimed with respect to passenger vehicles

Percentage of use in commercial activities	Financial institutions <sup>1</sup>	Individuals/partnerships	Public sector bodies <sup>2</sup> /other registrants
Less than or equal to 10%	%	0%	0%
More than 10% but less than or equal to 50%	%	based on CCA*	0%
More than 50% but less than 90%	%	based on CCA*	100%
90% or more	%	100%	100%

\*Capital cost allowance (CCA), for income tax purposes, is calculated on the basis of the percentage of use of a passenger vehicle in commercial activities. The capital cost of a passenger vehicle must fall within the limits set in the Taxation Act. The ITC (or ITR) is determined each year using the following formulas:

**GST:**  $CCA \times 7/107$

**HST:**  $CCA \times 15/115$  or  $CCA \times 8/108$ , if a vehicle or an aircraft is brought into a participating province and the 8% provincial component of the HST is payable

**QST:**  $CCA \times 7.5/107.5$

ITCs and ITRs may not be claimed with respect to the GST/HST and the QST payable on any portion of the purchase price of a passenger vehicle (including the cost of any improvements to the

vehicle) in excess of the amount that is the capital cost of the vehicle for income tax purposes. The maximum cost of a passenger vehicle for these purposes is currently \$26,000, excluding GST/HST and QST.

More information regarding the ITCs that may be claimed by individuals or partnerships acquiring passenger vehicles, where the vehicles are used less than 90% in commercial activities, is provided in the article "Calculation of ITCs respecting Passenger Vehicles or Aircraft Purchased by Individuals and Partnerships" (issue of *Tax News* for the fourth quarter of 1995). For a definition of "passenger vehicle," refer to the article "What Is a Passenger Vehicle for GST Purposes?" (issue of *Tax News* for the first quarter of 1996). For information on ITRs, consult the article "An Automobile Purchased Prior to August 1, 1995, Does

Not Give Entitlement to an Input Tax Refund (ITR)," which is published in the same issue.

## How do I determine if a non-resident is carrying on a business in Canada (or in Québec, for QST purposes)?

Many factors are taken into account in determining if a non-resident is carrying on a business in Canada (or in Québec, for QST purposes). These include whether the non-resident is considered to have a permanent establishment in Canada (or in Québec), where the business contract was concluded, where the operations are carried out, where the property is delivered, where payment is made, and where, if applicable, orders for products are solicited.

1. The ITCs that may be claimed by financial institutions are based on the percentage of use of a passenger vehicle in commercial activities. Under the QST system, financial institutions are considered to be businesses engaged in commercial activities.

2. Includes governments, non-profit organizations, charities, municipalities, universities, schools, hospitals and public colleges

Non-residents carrying on a business in Canada (or in Québec) must register for the GST/HST (and the QST) if they supply taxable property or services in Canada (or in Québec), and if their total revenues worldwide from taxable (including zero-rated) supplies, as well as the taxable revenues of all their associates (such as related corporations), were more than \$30,000 in the previous four calendar quarters (or during any one calendar quarter).

### Is the sale of land by an individual taxable?

Generally, the sale of vacant land is subject to the GST/HST and the QST. However, the sale may be exempt if an individual sells personal-use land, that is, land that is not used for commercial purposes.

If an individual sells land that he or she has severed or subdivided into more than two parts, the sale is taxable, unless the purchaser is a relative or former spouse of the individual, and that person is acquiring the land for personal use. Special rules apply if the land was previously subdivided or severed further to an expropriation. Refer to the article "Lots That Are Subdivided or Separated into Parts" in the issue of *Tax News* for the third quarter of 1997.

The sale of land that is capital property used in a business the individual operates with a reasonable expectation of profit is taxable, as is the sale of land in the course of a business. The sale of land in the course of an adventure or concern in the nature of trade is also taxable where the individual has filed election form FP-622-V. The election would likely be made if the land was acquired for the purpose of earning income through its resale.

Special rules apply to sales of farmland.

### How is the rebate for public service bodies calculated?

Certain public service bodies (that is, school authorities, universities and public colleges that were organized and are operated for non-profit purposes, as well as hospital authorities, municipalities, qualifying non-profit organizations and charities), whether GST/HST and QST registrants or not, may claim a rebate of the GST/HST and the QST they pay on property and services that do not give entitlement to an ITC or ITR. Registered public service bodies must complete form FP-66-V to claim a rebate of the GST/HST, and form VD-387-V to claim a rebate of the QST. These forms must be filed with the GST/HST or QST return (as applicable). Non-registrants must also complete these forms and file them with the Ministère du Revenu twice a year, that is, after their second fiscal quarter, and after their fourth fiscal quarter.

The following table shows the rebate rates applicable to certain public service bodies:

Type of public service body	Rebate rate	
	GST	QST
Municipalities	57.14%	0% <sup>3</sup>
School authorities	68.00%	47%
Universities and public colleges	67.00%	47%
Hospital authorities	83.00%	66% <sup>4</sup>
Charities and non-profit organizations <sup>5</sup>	50.00%	50%

### What are the GST/HST and QST rebates with respect to new housing, and how are they paid or credited by builders to new home purchasers?

Individuals may claim a rebate of the GST/HST and the QST paid on the purchase price or cost of construction or substantial renovation of their home if

- they buy the home (including the land) from a builder;
- they buy the home, and lease the land from a builder;
- they buy a new mobile home, new floating home, or new modular home from a builder (manufacturer, distributor or retailer, commonly referred to as a dealer);
- they buy a share of the capital stock of a co-operative housing corporation;
- they construct or substantially renovate their own home (or hire another person to do so); or
- their home is destroyed in a fire and is subsequently rebuilt.

If an individual purchases a qualifying home from a builder, the rebate may be paid or credited to the individual by the builder. That is, the builder may pay the rebate directly to the individual, or credit the individual with the amount of the rebate (for example, the builder may use the rebate to reduce the price of the home at the time of purchase). Individuals who wish to have the rebate paid or credited by the builder must submit to the builder form VD-366-V (for QST purposes) and form FP-190-V (for GST purposes).

3. On January 1, 1997, the QST rebate for municipalities (43%) was eliminated.

4. This rate will be 60% as of April 1, 2000.

5. Only non-profit organizations whose percentage of government funding for the fiscal year is at least 40% are entitled to a rebate. Under the QST system, qualifying non-profit organizations that make supplies of a municipal nature are no longer entitled to the 50% rebate.

## What is a “substantial renovation” for the purpose of claiming the GST/HST and QST rebates with respect to new housing?

If a house is virtually gutted, so that all or substantially all of the wiring, plumbing, heating, doors and windows are removed or replaced, and 90% or more of the house is totally refurbished, the house has been “substantially renovated” for the purpose of claiming the GST/HST and QST rebates with respect to new housing. Renovations to the foundation, external walls, interior supporting walls, floors, roof, staircases and additions are not included in the calculation to determine whether 90% or more of the existing house has been removed or replaced.

More information on what constitutes a substantial renovation can be found in the article “Only New or Substantially Renovated Housing Gives Entitlement to a Rebate of the GST and QST Paid” (issue of *Tax News* for the third quarter of 1996).

## For the purposes of the GST/HST, what tax rate applies in participating and non-participating provinces? What are the place-of-supply rules?

Effective April 1, 1997, all GST/HST registrants across Canada who make taxable (other than zero-rated) supplies of goods or services that are considered to be made in any of the participating provinces,<sup>6</sup> including supplies shipped or mailed from outside a participating province to recipients in a participating province, are required to collect and account for the 15% HST. Taxable (other than a zero-rated) supplies made in a non-participating province, including supplies shipped or mailed from a participating province to recipients in a non-participating province, are subject to 7% GST.

Registrants located in Québec are not required to account separately for the 7% GST and the 15% HST. They may continue using the *GST/HST-QST Return* (form FPZ-500-V) and the *GST/HST Return* (form FPZ-34-V) to calculate their net tax. They must, however, continue to account separately for the QST.

For more information, refer to the article entitled “The Harmonized Sales Tax” in the issue of *Tax News* for the first quarter of 1997.

## How are the GST/HST and the QST calculated when a leasehold interest in a leased vehicle is traded in on the supply of a new vehicle?

A “leasehold interest” is a bundle of rights that a lessee has in respect of a lease. For most leases, if the agreed value of the leased property is more than the amount required to be paid to terminate the lease, the lessee has built up equity in the lease, and the value of the leasehold interest is equal to the amount of the built-up equity. Not only is a leasehold interest present at the end of a lease, but early termination of a lease can also involve a leasehold interest.

A registrant that leases or sells a new vehicle and accepts as a trade-in a leasehold interest from a non-registrant will reduce the amount on which the GST/HST and the QST are calculated. For example, if a registered dealer sells a new vehicle in a non-participating province to an individual who is a non-registrant, and accepts the individual's leasehold interest as a trade-in, the tax payable is calculated as follows:

Cost of new car	\$20,000.00
Leasehold interest accepted as trade-in	- \$1,000.00
Adjusted cost	\$19,000.00
GST (\$19,000 x 7%)	+ \$1,330.00
QST (\$20,330 x 7.5%)	\$1,524.75
<b>Total amount payable</b>	<b>\$21,854.75</b>

These rules also apply to an individual who is a registrant and who trades in a leasehold interest in a leased vehicle (where the vehicle was used less than 90% in the individual's commercial activities), and to an artificial person (where the vehicle was not used primarily, that is, was used, less than 50%, in the artificial person's commercial activities).

However, the rules do not apply to registrants that are required to charge the GST/HST and the QST on the supply of a leasehold interest. In these situations, the person offering the leasehold interest as a trade-in charges the GST/HST and the QST on the supply of the leasehold interest, and the dealer charges the taxes on the full value of the new vehicle. The dealer and the person who traded in the leasehold interest may claim ITCs respecting the GST/HST payable on this transaction in the normal manner.

**Note:** The amount the lessee must pay to terminate a lease and take title to a leased vehicle does not constitute a lien against the vehicle.

These rules are not limited to supplies of vehicles, but also apply to taxable (other than zero-rated) supplies of other goods.

## How do the GST/HST and the QST apply to sales to Indians?

If you are registered for the GST/HST and the QST, and you supply property or services taxable at 7% GST, 15% HST, or 7.5% QST to Indians, Indian bands, or band-empowered entities, **you must not charge the GST/HST or the QST**, provided the purchaser shows proof of registration under the Indian Act (for example, the Certificate of Indian Status card) and, as applicable,

- the property is sold on a reserve, or the property is delivered (by you or your agent) to a reserve. In this case, property purchased by a band or a band-empowered entity must be intended for band management activities;

6. Nova Scotia, New Brunswick and Newfoundland



- an Indian purchases services (for example, haircuts or small appliance repairs) which are performed totally on a reserve. If the services are transportation services provided for the benefit of an Indian, the points of departure and arrival must be located on the reserve;
- an Indian band or band-empowered entity purchases services (for example, legal, accounting, or professional services) on or off a reserve for the purposes of band management activities, or in respect of immovables located on a reserve.

Bands and band-empowered entities must pay taxes on services of transportation, short-term accommodation, meals and entertainment purchased off the reserve. However, a band or a band-empowered entity may file a general rebate application to recover the GST/HST and the QST paid on such purchases if the services are acquired for the purposes of band management activities, or in respect of immovables located on a reserve.

In all other cases, **you must collect the GST/HST and the QST** on taxable property purchased by Indians, Indian bands, tribal councils, and band-empowered entities, where the sales are made off a reserve (unless the property is delivered to a reserve, as noted previously). Indians must also pay the GST/HST and the QST on all taxable services provided off a reserve.

### Is a non-profit organization required to register for the GST/HST and the QST?

All non-profit organizations are required to register for the GST/HST and the QST if their total gross revenues worldwide from taxable (including zero-rated) supplies, as well as the taxable revenues of all their associates, were more than \$50,000 in the previous four calendar quarters (or during any one calendar quarter). Non-profit organizations do not include charities and public institutions that are considered to be small suppliers under subsection 148.1(2) of the Excise Tax Act.

### What are the remittance rates for the Quick Method of accounting?

As a rule, registrants using the Quick Method of accounting calculate the net amount of GST/HST payable by multiplying their total eligible taxable supplies (GST included) by 2.5% or 5% (as applicable). The amount of QST payable is calculated by multiplying total taxable supplies (GST and QST included) by 2.7% or 5.3% (as applicable).

Registrants are entitled to reduce the applicable Quick Method remittance rate by 1% for the first \$30,000 (GST included) of eligible taxable supplies made during their fiscal year, provided their election to use the Quick Method is in effect on the first day of the fiscal year or on the effective date of their registration.

This means that, under the GST system, registrants remit only 1.5% or 4% of the first \$30,000 (GST included) of their taxable supplies; they then remit 2.5% or 5% (as applicable) of the amount of supplies that exceeds \$30,000. Under the QST system, registrants remit only 1.7% or 4.3% (as applicable) of the first \$32,250 (GST and QST included) of their taxable supplies; they then remit 2.7% or 5.3% (as applicable) of the amount of supplies that exceeds \$32,250.

A registrant who makes taxable supplies in a participating province or who has a permanent establishment in a participating province may use the Quick Method. However, the remittance rates may vary, depending on the place of supply (in a participating or non-participating province) and the location of the registrant's permanent establishment.

For further information, consult the article published on page 6 of the issue of *Tax News* for the third quarter of 1997.



## New Publications

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

- IN-216-V (1998-06) *The QST and the GST/HST: How They Apply to Foods and Beverages*

- IN-322-V (1998-09) *International Fuel Tax Agreement and Procedures Manual*
- IN-624-V (1998-04) *The QST, the GST and Road Vehicles*



## GST

Prescribed interest rates are adjusted every calendar quarter 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, 1997, to September 30, 1998, are listed below.

Period	Annualized interest rate* (%)	Penalty rate (%)
<b>1997</b>		
Apr. 1 – June 30	2.4066	6
July 1 – Sept. 30	3.5707	6
Oct. 1 – Dec. 31	3.5707	6
<b>1998</b>		
Jan. 1 – Mar. 31	3.6499	6
Apr. 1 – June 30	3.6098	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 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 du Québec 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, 1997, to September 30, 1998.

<b>1997</b>			
Apr. 1 – June 30	Refunds	4.5%	
	Debts	8%	
July 1 – Sept. 30	Refunds	3.25%	
	Debts	8%	
Oct. 1 – Dec. 31	Refunds	3.25%	
	Debts	8%	
<b>1998</b>			
Jan. 1 – Mar. 31	Refunds	3.25%	
	Debts	8%	
Apr. 1 – June 30	Refunds	3.25%	
	Debts	9%	
July 1 – Sept. 30	Refunds	4%	
	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 Sales of Cooked Lobster Zero-Rated or Taxable?

Cooked lobster is sold in one of two ways, namely, cold or hot. Some grocery stores and lobster pounds sell cooked lobster cold, which they keep in a refrigerated display counter, while others sell either live lobsters, which are cooked while the customer waits, or cooked lobster hot from a heated cabinet or a separate take-out counter.

Sales of cold cooked lobster are considered to be on the same footing as sales of any other cooked food (such as roasted chicken) that is sold cold from

refrigerated display counters; as a result, sales of cold cooked lobster are zero-rated.

Sales of hot cooked lobster are treated in the same way as sales of any other food that is deliberately heated or kept hot for immediate consumption, and are therefore taxable at 7% under the GST system, at 15% under the GST/HST system (participating provinces) and at 7.5% under the QST system.



Of the 32 interpretation bulletins published by the Ministère du Revenu du Québec in January, February and March 1998, 17 deal with income tax and 15 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

**IMP. 1000-1/R11** Requirements for facsimiles and computer-printed forms (personal income tax return)

**IMP. 1000-1.2/R7** Requirements for facsimiles of RL (Relevé) slips

**IMP. 1086-3** Partnership information return

**IMP. 1131-2/R1** Paid-up capital shown in financial statements

**IMP. 1132-1/R1** Status of a leasing corporation

**IMP. 1136-17/R1** Write-downs

**IMP. 1144-1/R2** Exemption for corporations that do not carry on a business

**IMP. 1177-1/R1** Logging operations – Cutting and transportation of timber

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**SPECIAL 108** New refundable tax credit for film dubbing, and other tax measures

**SPECIAL 109** Regulation to amend the Regulation respecting the Taxation Act, the Regulation respecting the application of the Taxation Act (1980), the Regulation respecting fiscal administration, the Regulation respecting contributions to the Québec Health Insurance Plan and the Regulation respecting contributions to the Québec Pension Plan

**SPECIAL 110** Bill 164, An Act to amend the Act to facilitate the payment of support

**SPECIAL 111** Bill 165, An Act to amend the Taxation Act, the Act respecting the Ministère du Revenu, the Act to facilitate the payment of support and the Act respecting the Québec Pension Plan

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**SPECIAL 95** Increase in the tax on tobacco products

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**TVQ. 82-2** Time of taxation with respect to the supply of an automobile by way of lease through a travel agency

**TVQ. 119.1-1** Financial remission program for homemaker services

**TVQ. 386-5** Elimination of the QST rebate for qualifying non-profit organizations

**TVQ. 383-1** Calculation of the percentage of government funding

**TVQ. 407-3/R1** Political parties



## Deadlines for Claiming ITCs and ITRs (from page 9)

### Specified persons

The deadline for claiming ITCs and ITRs, in the case of a person who is a specified person during the reporting period in which the GST and QST become payable, is generally the due date of the return for the person's last reporting period that ends within two years after the end of the fiscal year that includes the reporting period in which the taxes become payable.

There are two exceptions to the general rule applicable to specified persons. The two-year period is extended where

- the supplier does not charge the tax in the reporting period in which the

supply is made, and the recipient pays the tax after the period in question;

- the recipient pays the tax, but another person who is not entitled to the ITC or ITR submits a claim in this regard within the two-year period.

### Tax not charged by the deadline for claiming ITCs and ITRs

Where a person's supplier fails to charge GST or QST before the end of the four-year period beginning immediately after the reporting period in which the tax becomes payable, the person may claim an ITC or ITR in a return filed on or before the due date

of the return for the period in which the tax is paid, provided the supplier advises the person in writing that the Ministère du Revenu du Québec has assessed the supplier for that tax and the person pays the tax to the supplier before claiming the ITC or ITR. This rule applies regardless of whether the person is a specified person.

*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.

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