

The QST, the GST/HST and Road Vehicles



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Canada 

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Introduction

This document describes the tax measures that are applicable to the purchase of new or used road vehicles. Whether you are a vendor or purchaser, you will find relevant information in this brochure on the application of the GST and QST, trade-ins, leases, gifts of used road vehicles, and the registration of road vehicles.

This brochure also provides details on the purchase or leasing of road vehicles by an Indian, road vehicles specially equipped for persons with disabilities, demonstration vehicles, taxation of credit financing services offered with respect to the purchase or leasing of road vehicles, and the shipping of road vehicles out of Québec.

This publication is provided for information purposes only. It does not constitute a legal interpretation of the *Excise Tax Act*, the *Act respecting the Québec sales tax* or any other legislation.

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Definitions

The following definitions are largely based on those found in the *Excise Tax Act*, the *Act respecting the Québec sales tax*, the *Income Tax Act*, the *Taxation Act* and the *Highway Safety Code*. For further information, please consult these documents.

Attestation de transaction avec un commerçant (ATAC) form

Form that is required by the Société de l'assurance automobile du Québec (SAAQ) to attest to the sale of a road vehicle. The form is to be completed by the dealer.

Consideration

Value given in exchange on the sale of a property or service. The consideration corresponds to an amount of money, a property or a service.

Consumer

Individual who acquires a property or service for personal consumption, use or enjoyment and not to consume, use or sell in the course of commercial activities or other activities in the course of which the individual makes tax-exempt sales.

Dealer

Person who holds a dealer's licence issued by the SAAQ.

Estimated value

- **In the case of a used road vehicle:**

Value of the property equal to the average wholesale price (AWP), minus \$500. To determine the average wholesale price, dealers must consult the *Guide d'Évaluation Hebdo (Automobiles et Camions légers)*, published by Hebdo Mag inc. (the edition that was the most recent on the first day of the calendar month during which the transaction took place).

- **In the case of a used motorcycle:**

Value listed in the *Canadian Motorcycle Dealers Blue Book* (section 2, "Current Wholesale," column entitled "AVER"), minus \$500. This reference document is published by All Seasons Publications Ltd. Dealers must consult the edition that was the most recent on the first day of the calendar month preceding the calendar month during which the transaction took place.

- **In the case of a used snowmobile or all-terrain vehicle (ATV):**

Value listed in the *Canadian ATV, Snowmobile and Watercraft Dealers Blue Book* (section 2, "Current Wholesale," column entitled "AVER"), minus \$500. This reference document is published by All Seasons Publications Ltd. Dealers must consult the edition that was the most recent on the first day of the calendar month preceding the calendar month during which the transaction took place. If a vehicle is no longer listed in these guides, the QST is usually calculated on the agreed sale price.

Individual

Person who is not registered for the GST or QST, unless otherwise indicated.

Input tax credit (ITC)

Credit obtained by a registrant in respect of the goods and services tax (GST) paid or payable on purchases made in the course of the registrant's commercial activities.

Input tax refund (ITR)

Refund obtained by a registrant in respect of the Québec sales tax (QST) paid or payable on purchases made in the course of the registrant's commercial activities.

Large business

Business that makes taxable sales in Canada (whether they be made by the business itself or by its associates) of more than \$10 million over a given fiscal period.

Mandatory (agent)

Individual whom another person (the "principal" for GST purposes and the "mandator" for QST purposes) empowered by contract (mandate) to represent said person in legal matters with a third party. When a mandatory (agent) transacts with a third party in the course of a mandate, the mandatory (agent) is considered to be acting on behalf of the mandatory (principal).

Motor vehicle

Self-propelled vehicle with four or more wheels and a net weight of less than 4,000 kilograms that is designed essentially for passenger or freight transport by road. Such vehicles include jeeps, vans, buses and trucks, but exclude motorcycles, snowmobiles, all-terrain vehicles, trailers and farm tractors.

Registrant

Person who is registered or is required to be registered for the GST or QST.

Related individuals

Legally married spouses, de facto spouses, and persons related by blood, marriage or adoption.

Retail sale

Sale (or supply by way of gift) of a motor vehicle to a person that purchases (or receives) it for a purpose other than resupply by way of sale or by way of lease for a period of at least one year. The short- or long-term lease of a motor vehicle does not constitute a retail sale.

Road vehicle

Motorized vehicle that can be used on roads and must be registered under the *Highway Safety Code*. In addition to those defined as a motor vehicle, such vehicles include trailers, semi-trailers and attachable-detachable auxiliary axles that are not motorized, but do not include motor-assisted bicycles, electric wheelchairs and vehicles that can be used only on rails.

Spouse

Individual with whom another person is married or living in a civil union, or an individual who is the de facto spouse of the person at the time of the transaction. A de facto spouse is an individual of the same or opposite sex who, at the time of the transaction,

- is living in a conjugal relationship with the person and is the biological or adoptive parent (legally or otherwise) of a child of whom the person is also a parent;
- has been living in a conjugal relationship with the person for at least 12 consecutive months;
- has been living in a conjugal relationship with the person for less than 12 months, but had previously lived in a conjugal relationship with the person for at least 12 consecutive months.





Application of the GST and QST

As a rule, the GST and the QST apply, at the rate of 5% and 7.5% respectively, to the taxable sale, lease and repair of road vehicles.

Calculation of the GST

In general, the GST, which applies at the rate of 5% to sales of new or used road vehicles made by dealers registered for the GST, is calculated on the agreed sale price. **The GST does not apply to sales of used vehicles between individuals.**

Calculation of the QST

In the case of a used road vehicle registered under the *Highway Safety Code*, 7.5% QST is calculated on the higher of the following amounts: the agreed sale price or the estimated value of the vehicle (to which the GST has been added, where applicable). In the case of a new road vehicle, the QST is calculated on the agreed sale price (to which the GST has been added, where applicable).

However, the sale of a motor vehicle to a person who acquires it solely for resale, or for lease for a period of at least one year, is considered to be a zero-rated supply. The same is true of a vehicle acquired by a recycler for resale as automotive parts. Note that such sales are zero-rated only if the purchaser is a QST registrant.

The QST on motor vehicles is generally collected by the SAAQ at the time of registration. Vendors who sell a motor vehicle at retail are not authorized to collect the QST. However, vendors must collect the QST when selling other road vehicles.

Vendor obligations

If you are a vendor, please note that, even though you are not required to collect the QST on the retail sale of a motor vehicle, you must calculate the QST payable by the purchaser and furnish a document (sales contract or other document) clearly indicating the amount of QST payable to the SAAQ, as well as the other required information, such as the sale price, the amount used to calculate the QST (based on the estimated value, if applicable), the amount of GST collected, the amount allowed on any trade-in, and the delivery date.



If you hold a dealer's licence issued by the SAAQ, you must complete section "C" on the *Attestation de transaction avec un commerçant (ATAC)* form.

If you fail to correctly indicate the QST payable by the purchaser, you will be liable for any QST amount that the purchaser owes but that is not collected by the SAAQ, in addition to a penalty corresponding to 15% of the amount in question. Moreover, if you collect the QST by mistake, you must refund the amount to the purchaser.

Property and services

The QST must be collected on any property and services that are sold at the same time as the motor vehicle and indicated separately on the sales contract. (The amount collected, however, is not to be entered on the ATAC form.) Examples of such property and services include:

- extended warranty or coverage;
- paint sealer;
- rust-proofing treatment;
- anti-theft marking;
- upholstery protection;
- remote starter;
- electronic starter lock;
- anti-theft system.

Purchaser obligations

If you purchase a motor vehicle at retail and pay the QST to the vendor, you will be required to pay the QST again to the SAAQ when you register your vehicle. **Moreover, the QST collected by the vendor is not refunded by the SAAQ or Revenu Québec.** You will have to contact the vendor directly in order to obtain a refund of the QST that should not have been collected.

Some dealers offer an arrangement whereby they act as the purchaser's agent and register the vehicle and pay the QST to the SAAQ on the purchaser's behalf. In this case, the purchaser remits the QST and registration fees to the dealer. However, should the dealer fail in his or her role as an agent, the purchaser will have to make another payment (this time directly to the SAAQ) covering the QST and registration fees.

Acquisition of road vehicles

Purchases of new or used road vehicles

Persons who purchase a new or used road vehicle other than a motor vehicle from a dealer must pay the GST and QST (at a rate of 5% and 7.5%, respectively) to the dealer.

Likewise, persons who purchase a new or used motor vehicle from a dealer must pay the GST at a rate of 5% to the dealer. The GST, however, does not apply to the sale of used vehicles between individuals.

However, persons who purchase a new or used motor vehicle at retail are required to pay 7.5% QST to the SAAQ when the vehicle is registered. However, if the motor vehicle is not registered by the purchaser within 15 days following the delivery date, the QST will be considered payable by the purchaser at the time the vehicle is actually delivered. The purchaser must then pay the QST to Revenu Québec.

Example

A dealer registered for the GST and QST sells a used motor vehicle for \$13,000 to an individual; no vehicle is accepted as a trade-in. The average wholesale price of the vehicle is \$12,000 from which \$500 is subtracted, giving an estimated value of \$11,500.

Agreed sale price		\$13,000.00
GST (\$13,000 X 5%)	+	\$650.00
		\$13,650.00
QST (\$13,650 X 7.5%)	+	\$1,023.75 *
Total payable		\$14,673.75

In this case, the agreed sale price is higher than the estimated value of the vehicle; the QST must therefore be calculated on the agreed sale price.

* In the case of motor vehicles, the QST is calculated by the dealer, but paid by the purchaser to the SAAQ when the vehicle is registered. For all other types of vehicles, the QST must be collected by the dealer.

When a used road vehicle is transferred between related individuals for a price that is lower than the estimated value (transaction with or without consideration), the QST is calculated on the agreed sale price.



In this case, the *Declaration of a Transaction Between Related Individuals with Regard to a Road Vehicle Registered in Québec* (form VD-80.1-V) must be completed and remitted to the SAAQ when registering the vehicle. The form must be accompanied by documents proving the relationship between the individuals.

If a used road vehicle is purchased from a dealer for less than its estimated value because it is damaged or has been subjected to unusual wear, the QST may be calculated on the lower price as long as the purchaser, at the time of the transaction, provides the dealer with an evaluation report prepared by an appraiser who holds a certificate of professional qualification as an automobile

damage appraiser issued by the Groupement des assureurs automobiles. The appraiser must have prepared the report at a certified appraisal centre, or an establishment certified by this organization, in the normal exercise of his or her profession.

The dealer must keep the report, as there may be an audit at a later date. A copy of the evaluation report must also be submitted to the SAAQ upon registering the vehicle.

If the purchaser pays QST on the estimated value of the vehicle, he or she may claim a rebate of the QST overpaid by submitting a rebate application and the evaluation report (dated within 10 working days after the date of the transaction) to Revenu Québec within the established time period. The purchaser must make the claim using form VD-60-V, *Application for a Rebate (or Non-Payment) of the Québec Sales Tax (QST) on a Road Vehicle*.



Example

An individual sells a used vehicle to another individual for \$10,000. However, the average wholesale price of the vehicle is \$13,000 from which \$500 is subtracted, giving an estimated value of \$12,500. Neither individual is engaged in commercial activities.

Agreed sale price	\$10,000.00
Estimated value	\$12,500.00
Qst payable (\$12,500 X 7.5%)	\$937.50

The GST does not apply in this case because the sale involves two individuals. The QST applies, however, and must be calculated by the SAAQ on the estimated value since it is higher than the agreed sale price. The vendor, a non-registrant, is not required to calculate the amount of QST payable by the purchaser.

Trade-ins of used road vehicles

The rules that apply to trade-ins vary, depending on the purchaser (individual or partnership, for example) and the type of vehicle involved in the transaction.

When the purchaser is not required to collect the GST or QST (or calculate the QST)

In this situation, the purchaser of a used road vehicle is, as a rule, an individual. However, the purchaser may also be a tax registrant that was ineligible for an ITC or ITR for taxes paid on a vehicle. This is the case for large businesses under the QST system.

When a registered dealer accepts a used road vehicle as a trade-in for a vehicle, the credit given for the vehicle traded in reduces the amount on which the GST and QST are calculated, provided:

- the vehicle traded in is intended for consumption, use or supply in the dealer's commercial activities; and
- the person who trades in the used vehicle is not required to collect the GST or QST (or calculate the QST) on the vehicle.

Thus, if these conditions are met, a registered dealer must collect the GST on the difference between the vehicle's sale price and the amount credited to the purchaser for the road vehicle traded in.

A dealer must also collect (or calculate, as applicable) the QST on the total of this difference and the GST charged.

Examples

An individual who is not required to collect the GST or QST (or calculate the QST) purchases a new motor vehicle for \$20,000. The vendor accepts the individual's old vehicle as a trade-in, crediting the individual \$5,000 on the trade-in.

Sale price		\$20,000.00
Credit for the trade-in	–	\$5,000.00
		\$15,000.00
GST (\$15,000 X 5%)	+	\$750.00
		\$15,750.00
QST (\$15,750 X 7.5%)	+	\$1,181.25 *
Total payable		\$16,931.25

* In the case of a motor vehicle, the QST is calculated by the dealer but paid to the SAAQ by the purchaser when the vehicle is registered. For all other types of vehicles, the QST must be collected by the dealer.

An individual who is not required to collect the GST or QST (or calculate the QST) purchases a used motor vehicle for \$20,000 from a used-vehicle dealer. The estimated value of the vehicle is \$23,500, that is, the average wholesale price (\$24,000) minus \$500.

The dealer accepts the individual's old vehicle as a trade-in, crediting the individual \$5,000 on the trade-in.

Sale price		\$20,000.00
Credit for the trade-in	–	\$5,000.00
		\$15,000.00
GST (\$15,000 X 5%)	+	\$750.00
Amount due to the dealer		\$15,750.00
Estimated value (higher than the sum of the sale price and the QST payable)	\$23,500.00	
Credit for the trade-in	–	\$5,000.00
GST charged	+	\$750.00
		\$19,250.00
QST payable to the SAAQ (\$19,250 x 7.5%)	+	\$1,443.75 *
Total payable		\$17,193.75

* In the case of a motor vehicle, the QST is calculated by the dealer but paid to the SAAQ by the purchaser when the vehicle is registered. For all other types of vehicles, the QST must be collected by the dealer.

Under the QST system, large businesses can benefit from the trade-in rule when they purchase road vehicles subject to the restrictions on obtaining ITRs that apply to large businesses. The vehicles in question are those that weigh less than 3,000 kg.

Example

A large business purchases a new motor vehicle for \$20,000. The dealer accepts the business's old vehicle (weighing less than 3,000 kg) as a trade-in for the purposes of resale, crediting the business \$5,000 on the trade-in. The large business used the old vehicle exclusively for commercial activities.

Purchase of the new vehicle

Sale price		\$20,000
GST (\$20,000 X 5%)		+ \$1,000
		<u>\$21,000</u>
Sale price	\$20,000	
Credit for the trade-in	- \$5,000	
GST charged	+ \$1,000	
	<u>\$16,000</u>	
QST (\$16,000 x 7.5%)		\$1,200*
Total payable by the large business		\$22,200

Sale of the used vehicle

Sale price		\$5,000
GST (\$5,000 X 5%)		+ \$250
QST (0%)		+ \$0
Total payable by the dealer		\$5,250

In this case, the business is a registrant and must therefore collect the GST at the time the vehicle is sold to the dealer. However, the QST need not be collected because the dealer is purchasing the motor vehicle for resale purposes only.

* Because the vehicle is a motor vehicle, the QST is calculated by the dealer but paid to the SAAQ by the purchaser when the vehicle is registered.

When the purchaser is required to collect the GST and calculate or collect QST

The rules described above do not apply in the following situations:

- A registrant who is an individual or a partnership purchases a road vehicle and trades in a vehicle that is part of the registrant's capital assets and was used in the registrant's commercial activities in a proportion of at least 90%.
- A registrant who is not an individual or a partnership purchases a road vehicle and trades in a vehicle that is part of the registrant's capital assets and was used in the registrant's commercial activities in a proportion of at least 50%.

The trade-in is a motor vehicle

The vendor and the purchaser, who is trading in a motor vehicle, are both required to collect the GST on the sale price because they are each making a taxable sale of a road vehicle.

Where the trade-in is a motor vehicle acquired by the vendor for resale or a long-term lease, the purchaser is not required to collect QST. However, if the trade-in transaction constitutes a retail sale, the purchaser must calculate the QST to be collected by the SAAQ on the vehicle's sale price.

Both parties may claim an input tax credit (ITC) and an input tax refund (ITR) in respect of the GST and QST they paid on the transaction, provided the conditions respecting ITCs and ITRs are met.



Example

An individual who is required to collect the GST and QST purchases a new motor vehicle for \$20,000. The dealer accepts the individual's old vehicle as a trade-in for the purposes of resale, crediting the individual \$5,000 on the trade-in. The individual, who operates a small business, used the old vehicle exclusively for commercial activities.

Sale of the new vehicle

Sale price		\$20,000
GST (\$20,000 X 5%)	+	\$1,000
QST (\$20,000 + \$1,000) X 7.5%	+	\$1,575*
Total payable by the individual		\$22,575

Purchase of the used vehicle

Purchase price		\$5,000
GST (\$5,000 X 5%)	+	\$250
QST (0%)	+	\$0
Total payable to the dealer		\$5,250

Since the individual is a registrant, he or she must collect the GST at the time the vehicle is sold to the dealer. However, the QST need not be collected, calculated or indicated because the dealer is purchasing the motor vehicle for resale purposes only.

However, both parties may claim an ITC in respect of the GST and the individual may claim an ITR in respect of the QST paid, provided the conditions respecting ITCs and ITRs are met.

* Because it is a motor vehicle, this amount is calculated by the dealer, but paid by the purchaser to the SAAQ when the vehicle is registered.

The trade-in is a road vehicle other than a motor vehicle

The vendor and the purchaser, who is trading in a road vehicle other than a motor vehicle, are both required to collect the GST and QST on the sale price because they are each making a taxable sale of a road vehicle.

Example

An individual who is required to collect the GST and QST purchases a new tractor semi-trailer weighing at least 4,000 kg for \$100,000. The dealer accepts the individual's old tractor semi-trailer as a trade-in for the purposes of resale, crediting the individual \$40,000 on the trade-in. The individual, who operates a small business, used the old vehicle exclusively for commercial activities.

Purchase of the new vehicle

Purchase price		\$100,000
GST (\$100,000 X 5%)	+	\$5,000
QST (\$100,000 + \$5,000) X 7.5%	+	\$7,875 *
Total payable by the individual		\$112,875

Sale of the used vehicle

Sale price		\$40,000
GST (\$40,000 X 5%)	+	\$2,000
QST (\$40,000 + \$2,000) X 7.5%	+	\$3,150 *
Total payable by the dealer		\$45,150

Since the individual is a registrant, he or she must collect the GST. The individual must also collect the QST at the time the trade-in vehicle is sold to the dealer because the transaction does not constitute a zero-rated sale of a motor vehicle weighing less than 4,000 kg.

However, both parties may claim an ITC and ITR in respect of the GST and QST paid, provided the conditions respecting ITCs and ITRs are met.

* These amounts are calculated and collected by the vendors who are parties to the transaction.



Leases of road vehicles

The GST and the QST apply to leases of road vehicles. A dealer sometimes accepts a used road vehicle as a trade-in from a person to whom the dealer is planning to lease a vehicle. In such cases, the GST and QST are generally calculated on the monthly lease payments, determined on the basis of the residual value of the new vehicle leased and the amount credited for the trade-in, but disregarding any loan on the road vehicle traded in.

The GST and QST must also be collected on any payment made by the lessee at the end of the contract.

Registrant who leases road vehicles

A dealer registered for the GST and QST must collect the GST and QST at the time a road vehicle is leased (short- or long-term lease). In addition, in the case of a long-term lease, the lessor must collect the taxes if the lessee exercises the purchase option provided for in the contract.

Example

A dealer registered for the GST and QST leases a \$20,000 motor vehicle to an individual. The dealer accepts the individual's used vehicle as partial consideration for the vehicle leased, granting a \$5,000 credit for the trade-in. At the individual's request, the dealer agrees to remit a portion of the credit (\$3,000) to the individual in cash. The residual value of the vehicle leased is \$8,000 and the lease period is 48 months.

The monthly payments are calculated as shown below:

Value of the new vehicle		\$20,000.00
Credit for the trade-in	\$5,000.00	
Cash remitted to the individual	– \$3,000.00	
Net amount credited		– \$2,000.00
		\$18,000.00*
Residual value (purchase option)		– \$8,000.00
		\$10,000.00
Monthly leasing payment (\$10,000/48 months)		\$208.33
GST: $5\% \times (\$20,000 - \$5,000 - \$8,000/48)^{**}$	+	\$7.29
QST: $7.5\% \times [(\$20,000 - \$5,000 - \$8,000/48) + \$7.29]^{**}$	+	\$11.48
Monthly payments		\$227.10

* The interest rate applicable to lease payments is assumed to be 0%.

** Where a cash amount is remitted to the lessee, the GST and QST are not calculated on the total monthly leasing payment, but on a lesser amount because the cash amount remitted to the lessee is not taken into account in determining the consideration for the supply, on the basis of which the GST and QST are calculated. The total amount of the trade-in must be subtracted from the value of the vehicle leased.

Sales of road vehicles for the purpose of accommodating

Where the owner of a road vehicle wishes to purchase another vehicle from a dealer and sell the old vehicle to a third party, the owner may ask the dealer to act as an intermediary in this transaction. This type of sale constitutes a "sale for the purpose of accommodating."

The estimated-value rule does not apply to a used vehicle accepted as a **trade-in** under this type of sale. In such cases, the exchange value agreed upon by the parties must be used. However, the estimated-value rule must be applied to the sale of a used road vehicle to a third party.

Example

A dealer sells a new vehicle, for \$25,000, to an individual who is not required to collect the GST or QST (or to calculate the QST). The individual owns a used vehicle and sells it to another individual for \$10,000. The transaction is carried out through the dealer as a "sale for the purpose of accommodating." The estimated value of the used vehicle, for resale purposes, is \$12,500 (that is, the average wholesale price of \$13,000 minus \$500).

Sale of the new vehicle by the dealer

Sale price		\$25,000.00
Credit for the trade-in	–	\$10,000.00
		\$15,000.00
GST (\$15,000 X 5%)	+	\$750.00
QST (\$15,000 + \$750) x 7.5%	+	\$1,181.25*
Total payable		\$16,931.25

Purchase of the used vehicle by the dealer

Purchase price		\$10,000.00**
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Sale of the used vehicle by the dealer

Sale price		\$10,000.00
GST (\$10,000 X 5%)	+	\$500.00
		\$10,500.00

Vehicle's estimated value (higher than the sale price)		\$12,500.00
GST charged	+	\$500.00
		\$13,000.00
QST (\$13,000 x 7.5%)	+	\$975.00*
Total payable		\$11,475.00

* The QST is calculated by the vendor, but paid by the purchaser to the SAAQ when the vehicle is registered.

** The GST does not apply because the individual is not a registrant; the QST does not apply because the vehicle is not to be registered by the dealer.

Gifts of used road vehicles

Used road vehicles supplied by way of a gift between two related individuals are generally not subject to the GST.

However, used road vehicles that must be registered under the *Highway Safety Code* and that are supplied by way of a gift are, as a rule, taxable under the QST system at the rate of 7.5%. The QST must be calculated on the vehicle's estimated value. However, the QST does not apply if the vehicle

- is supplied by one individual to another and the two individuals are spouses or related by blood, marriage or adoption. Both individuals must complete and sign form VD-80.1-V, *Declaration of a Transaction Between Related Individuals, with Regard to a Road Vehicle Registered in Québec*,
- is supplied by the estate of a deceased individual in execution of the person's will or in accordance with the applicable legislation concerning inheritance; or
- is transferred from one individual to another as part of the settlement of their rights arising from their marriage, subsequent to a divorce, legal separation, marriage annulment or death.

When the vehicle in question is a used road vehicle registered in a Canadian province or territory other than Québec, the QST is applied and is calculated on the estimated value of the vehicle. If the vehicle in question is registered outside Canada, the QST only applies when the GST applies. In this case, the QST is calculated on the total of the value of the vehicle plus duties, excise taxes and the GST.





Registration of road vehicles

The SAAQ collects the QST on retail sales of motor vehicles at the time of their registration. In addition, it is responsible for monitoring the application of the estimated-value rule when the purchaser of a used road vehicle registers a vehicle.

Reduction or non-payment of the QST

In certain cases, the SAAQ either collects the QST on an amount less than a vehicle's estimated value or does not collect it at all. Some transactions can be partially or completely QST exempt. To benefit from an exemption, before registering the vehicle with the SAAQ, the purchaser must obtain a *Certificate Respecting the Non-Payment or Collection of the Québec Sales Tax (QST) on the Supply of a Road Vehicle* (form VDE-23-V) from Revenu Québec. To obtain this certificate, the individual must present documents justifying the claim.



An exemption may be granted in the following situations:

- a transfer of assets between two corporations that includes the transfer of a vehicle according to an agreement, under the terms of a law, between members closely related to an eligible group or following a winding-up;
- a supplier reclaiming a vehicle following cancellation of the sale;
- the bringing into Québec of a vehicle obtained from a supplier not registered for the QST located in Ontario, Newfoundland and Labrador, Nova Scotia or New Brunswick when the transaction involves the trade-in of a road vehicle;
- the bringing into Québec of a road vehicle for use by a corporation;
- the voluntary return of a road vehicle to its real owner as a result of an ownership claim;
- a municipal service exchange contract between municipalities that includes the exchange of a vehicle;
- the recovery of a vehicle by a financing provider who is a QST registrant;
- the purchase of a vehicle by a registrant who does not hold a dealer's licence issued by the SAAQ for resale or lease for at least one year;
- the exercise of a purchase option on a vehicle by the initial leaser when the supplier is not a QST registrant;
- the registration of a vehicle whose registration had been cancelled by the owner in view of exporting the vehicle;
- a vehicle temporarily brought into the province by a temporary or non-resident visitor;
- the gift of a vehicle to a resident of Québec in view of the oncoming death of a Canadian residing outside Québec;
- the change of a vehicle's registration following the cessation of an individual's business activities;
- the supply of a vehicle by a dealer to the organizer of a draw.



If, upon registering the vehicle with the SAAQ, the purchaser does not have an exemption certificate, the SAAQ is required to collect the QST on the sale price or the estimated value, whichever is higher. In certain cases, the purchaser can request a reimbursement of the QST from Revenu Québec using form VD-60-V, *Application for a Rebate (or Non-Payment) of the Québec Sales Tax (QST) on a Road Vehicle*.

Sales between individuals

In the case where a dealer acts as an intermediary in the sale of a used road vehicle between two individuals, Revenu Québec considers that the dealer is not responsible for collecting the QST.

This sale is in fact solely between two individuals as the dealer never acquires the vehicle from the seller to subsequently sell it to the purchaser. In this type of sale, the SAAQ collects the QST. If a dealer mistakenly collects the QST in such a transaction, he or she must remit it to Revenu Québec. The GST does not apply to sales of used vehicles between individuals.





Particulars of certain transactions

Purchase and leasing of road vehicles by an Indian

As a rule, an Indian may purchase property on a reserve without paying GST or QST. However, where property is purchased off a reserve, an Indian must pay the taxes, unless the property is delivered to the reserve by the vendor or the vendor's agent and the Indian presents proof of registration under the *Indian Act* (generally, the certificate of Indian status, issued by Indian and Northern Affairs Canada).

The above rule applies to all property purchased by an Indian, including road vehicles, according to certain terms and conditions. Form LE-20-V, *Proof of Delivery to a Reserve*, can be completed by the vendor if the vendor's vehicle is used to deliver the property to the reserve.

Where an Indian purchases a road vehicle from a dealer

The GST and QST do not apply if the vehicle is delivered to the reserve by the dealer or the dealer's agent and the Indian has presented the appropriate proof of identity. In this case, the dealer is required to keep documents showing why the GST and QST were not collected.

In addition, the vendor must complete the *Attestation de transaction avec un commerçant* (ATAC) form required by the SAAQ and indicate in the appropriate box the following note: "Sale to an Indian – Delivery to (name of reserve) reserve." Once the ATAC form is completed, the Indian is exempted from paying the QST at the time the road vehicle is registered.



Where an Indian purchases a road vehicle from a registrant who is not a dealer

The GST and QST do not apply to the purchase of a road vehicle from a vendor who is not a dealer if the vendor or the vendor's agent delivers the vehicle to a reserve and the purchaser presents the appropriate proof of identity for the GST and QST not to apply.

In addition, in order to be exempted from paying the QST to the SAAQ at the time the vehicle is registered, the Indian must first obtain from Revenu Québec a copy of form VDE-23-V, *Certificate respecting the Non-Payment or Collection of the Québec Sales Tax (QST) on the Supply of a Road Vehicle*.



However, if the Indian is unable to obtain this form before reporting to the SAAQ office, he or she can obtain a rebate of the QST by completing form VD-60-V, *Application for a Rebate (or Non-Payment) of the Québec Sales Tax (QST) on a Road Vehicle*, and returning it to Revenu Québec, together with the purchase contract and proof of delivery. The same procedure applies where an Indian purchases a road vehicle from an individual.



Lease

An Indian who leases a road vehicle is not required to pay GST and QST for each leasing period, provided the appropriate proof of identity is remitted to the supplier when the lessor takes possession of the vehicle, and the vehicle is delivered to a reserve by the supplier or the supplier's agent.

Sale of road vehicles to a Mohawk of Kahnawake

If a Mohawk of Kahnawake purchases a road vehicle from a dealer licensed by the SAAQ and located in the new cities of Montréal or Longueuil (excluding the former cities of Boucherville and Saint-Bruno-de-Montarville) or in the regional county municipality of Roussillon, the vendor must write on the *Attestation de transaction avec un commerçant* (ATAC) form the note "Mohawk of Kahnawake" in the "TVQ à payer par client à la SAAQ" box. The purchaser will then be exempted from paying the QST, regardless of whether the vendor delivered the vehicle to the reserve. The preceding does not apply to the GST system.

Road vehicles specially equipped for persons with disabilities

The purchaser of a road vehicle specially equipped for a person with disabilities may, under certain conditions, claim a rebate of the GST and QST paid on the purchase and installation of auxiliary driving controls or devices designed to assist in placing a wheelchair in the vehicle.

To claim the rebate, the purchaser must complete form FP-2518-V, *Rebate of the Tax Paid in Respect of a Vehicle Adapted for the Transportation of Persons with Disabilities*, and file it with one of the following:

- the vendor at the time of sale of the road vehicle. The rebate corresponds to the taxes payable on the cost of the adaptations made to the vehicle. The vendor must send the form to Revenu Québec;
- Revenu Québec.

Road vehicles adapted after purchase

Certain sales of parts used to adapt a road vehicle after its purchase (e.g., auxiliary driving controls, wheelchair lifts and ramps) are zero-rated. The sale of a service to adapt a vehicle for use by a person in a wheelchair, including the sale of parts furnished with the service, is also zero-rated.

A person who paid GST and QST on a zero-rated sale may obtain a rebate by completing and submitting to Revenu Québec a copy of form FP-189-V, *General GST/HST Rebate Application*, and form VD-403-V, *General Application for a Québec Sales Tax (QST) Rebate*.

Please note that a document confirming the taxes paid with respect to the zero-rated sale must be filed with the forms.



Courtesy or demonstration vehicles

Motor vehicle dealers acquire vehicles for the purpose of resale. However, they make some vehicles available to their employees or clients. In such cases, dealers in large dealerships must remit to Revenu Québec the QST for each vehicle thus used in the course of a given month.

In this case, Revenu Québec considers that the dealer has made a sale of the vehicle on the last day of the particular month, and is required to pay QST on 2.5% of the sum of the purchase price of the vehicle and the GST calculated on the purchase price as if it had actually been collected. Any fraction of a month during which a vehicle is used for a purpose other than resale counts as a full month of such use.

The change in use has no incidence under the GST system.

Example

A dealer that is a large business makes motor vehicle A (which has a purchase price, including GST, of \$12,000) available to an employee on March 1.

On March 10, the vehicle is sold by the dealer in the ordinary course of the dealer's activities. On that date, the dealer makes another vehicle, vehicle B (which has a purchase price, including GST, of \$20,000), available to the employee.

On March 25, vehicle B is sold by the dealer, and another vehicle, vehicle C (which has a purchase price, including GST, of \$15,000), is made available to the employee. The employee has therefore used three vehicles in the course of the same month. The dealer must therefore remit to Revenu Québec the QST for the month on the purchase price of the three vehicles. The QST is calculated as follows:

Vehicle A (2.5% x \$12,000)		\$300.00
Vehicle B (2.5% x \$20,000)	+	\$500.00
Vehicle C (2.5% x \$15,000)	+	\$375.00
		\$1,175.00
QST payable (\$1,175 x 7.5%)		\$88.13

Road vehicles shipped out of Québec

The sale of a road vehicle is taxable. However, the QST does not apply when a supplier ships a vehicle outside Québec.

This is the case in the following situations:

- The supplier ships the vehicle outside Québec.
- The supplier transfers possession of the vehicle to a common carrier or to a consignee that has been retained to ship it to a destination outside Québec but within Canada.

If the vehicle is shipped outside Canada, the sale is zero-rated.

The sale of a road vehicle is zero-rated when the vehicle is shipped out of Québec by a recipient other than a consumer, and the following conditions are met:

- The recipient ships the vehicle out of Québec as soon as is reasonable after the vehicle is delivered by the supplier to the recipient.
- The vehicle was not acquired for consumption, use or sale in Québec before being shipped out of Québec by the recipient.
- After the sale is made and before the recipient ships the vehicle out of Québec, the property is not further processed, transformed or altered in Québec except to the extent reasonably necessary for or incidental to its transportation.
- The supplier has proof that the recipient shipped the vehicle out of Québec.

A vehicle that travels on Québec roads for the purpose of being shipped out of this province is not considered as being used in Québec prior to shipping.

In all the aforementioned situations, the QST is not applied to the sale of vehicles shipped to another Canadian province or territory outside Québec. Likewise, neither the GST or the QST are required on the sale of a vehicle shipped out of Canada.



QST rebate

The purchaser of a road vehicle can apply for a rebate of the QST paid on the purchase of the vehicle in the circumstances listed below.

Road vehicle exported or shipped out of Québec by the purchaser

The QST rebate will be paid for a vehicle shipped out of Québec if the recipient is

- a person, other than a consumer, who is not resident in Canada;¹
- a person who is resident in Canada, but not resident in Québec;
- a business operated in Canada, outside Québec.

The vehicle of a person who is a resident of a Canadian province or territory other than Québec must not have been registered in Québec, or must have been registered only for a maximum of 10 days under a temporary registration certificate.

Consumers who are not resident in Canada are no longer eligible for a rebate of the GST or the QST.

New motor vehicles shipped out of Québec

A person who has paid QST to the SAAQ on a new motor vehicle purchased through a non-registered agent and shipped out of Québec is entitled to a rebate if all of the following conditions are met:

- The application is completed by the exporter.
- The exporter's agent is not registered for the QST, and has signed a statement confirming that the agent acted on behalf of the exporter in acquiring the vehicles respecting which the rebate is being claimed.
- The exporter files the rebate application with Revenu Québec within 12 months following the date on which the QST was paid. Only one application may be filed per month.
- The exporter has each vehicle registered in his or her name but, no later than 15 days following delivery of a vehicle to the agent, cancels the registration, as indicated in the notation "Cancellation of registration of vehicle licensed elsewhere" (or "Annulation de l'immatriculation d'un véhicule émigré").
- None of the vehicles has been the subject of a transaction involving more than three persons (namely, the dealer, the exporter's agent and the exporter) prior to its being shipped out of Québec. This means that the vehicles must not have been registered in the name of another person.

To apply for a rebate, the exporter must complete form VD-403.E-V, *Application for a Rebate in Respect of New Motor Vehicles Shipped Outside Québec* and the exporter's agent must complete form VD-403.E.MA-V, *Statement by the Agent of the Person Entitled to the Rebate*.



1. In this situation, the individual also qualifies for a GST refund.

Financing and services rendered by a vendor of road vehicles

Vendors sometimes assist consumers in obtaining a loan for the purchase or leasing of a road vehicle. In such cases, they are acting as an intermediary between the finance company or financial institution and the consumer, and generally are paid a commission by the company or institution.

Personal or car loan obtained from a finance company or financial institution

The vendor does not collect taxes if the service provided is considered to be a financial service, that is, where the purpose of the service is to help consumers obtain a personal loan from a finance company or financial institution. Examples of such services are as follows:

- The consumer is presented with the various modes of financing offered, based on his or her financial situation.
- The vendor completes the loan application documents and verifies the information obtained.
- The vendor attempts to obtain information on the consumer's credit rating.

However, the vendor must collect taxes if a financial service is not provided, that is, if the vendor merely refers the consumer to one of the institutions in question or simply gives the consumer a loan application form. No financial service is rendered in this situation; therefore, the commission paid for these services is taxable.

Instalment sale and the transfer of the contract to a finance company or financial institution

A vendor may conclude an instalment-sale contract with the consumer once the consumer's application is accepted by the finance company or financial institution. In such cases, the vendor retains ownership of the vehicle until the sale price and related credit charges are paid in full. Any subsequent transfer of the sales contract and ownership of the vehicle to the finance company or financial institution constitutes a financial service. A commission received in such cases is therefore not taxable.

Leasing and the transfer of the lease to a finance company or financial institution

Where a leased vehicle is transferred to a finance company or financial institution, the dealer completes a lease with the consumer, and then transfers the lease and simultaneously sells the vehicle to the finance company or financial institution. In addition to paying for the road vehicle, the company or institution pays the dealer a commission.

The dealer must collect taxes on the commission received, because the transaction is not considered to be a financial service.

Modification or cancellation of a transaction

Reduction of consideration

When the consideration for the sale of a vehicle is reduced after taxes are paid by the recipient, the recipient can obtain a tax rebate.

If the QST was paid to the SAAQ, the recipient can apply to Revenu Québec for a QST rebate, calculated on the reduction of consideration, using form VD-60-V, *Application for a Rebate (or Non-Payment) of the Québec Sales Tax (QST) on a Road Vehicle*. However, the recipient can relinquish his or her right to a rebate in favour of the supplier of the vehicle who accepts to remit to said recipient the amount of the QST rebate.



If the QST was paid to the supplier, he or she can refund the recipient in the amount of the QST calculated on the reduction of the consideration. In certain cases, the purchaser can claim a rebate of the QST from Revenu Québec using form VD-60-V, *Application for a Rebate (or Non-Payment) of the Québec Sales Tax (QST) on a Road Vehicle*.



Cancellation of sale

In the case where the sale of the vehicle is cancelled, the supplier must refund the purchaser an amount equal to the value of the vehicle.

If the QST was paid to the SAAQ, the recipient can apply to Revenu Québec for a QST rebate, using form VD-60-V, *Application for a Rebate (or Non-Payment) of the Québec Sales Tax (QST) on a Road Vehicle*. However, the recipient can relinquish his or her right to a rebate in favour of the supplier of the vehicle who accepts to remit to said recipient the amount of the QST rebate.



If the QST was paid to the supplier, the supplier can refund the QST paid by the purchaser. The purchaser may also choose instead to claim a rebate of the QST from Revenu Québec using form VD-60-V, *Application for a Rebate (or Non-Payment) of the Québec Sales Tax (QST) on a Road Vehicle*.



Note that the GST can be refunded by the supplier of the vehicle in the aforementioned cases. If it is not, the purchaser can claim a refund of the GST by sending us a duly completed copy of form FP-189-V, *General GST/HST Rebate Application*.



To contact us



Online

We invite you to visit our website at www.revenu.gouv.qc.ca.



By telephone

Hours of availability for telephone service

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.
Wednesday: 10:00 a.m. to 4:30 p.m.

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Montréal
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Elsewhere
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Businesses, employers and agents for consumption taxes

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Montréal
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Elsewhere
1 800 567-4692 (toll-free)

Persons with a hearing impairment

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