Ministère du Revenu du Québec

www.revenu.gouv.qc.ca

The QST, the GST and Road Vehicles

Canada

Québec

This brochure is provided for information purposes only. The information it contains does not constitute a legal interpretation of the provisions of the Taxation Act, the Excise Tax Act, the Act respecting the Québec sales tax, or any other law of Québec or Canada. It outlines the principal rules applicable to road vehicles. As this publication does not address all aspects of road-vehicle transactions, readers are advised to consult the relevant laws and regulations or to contact the office of the Ministère du Revenu du Québec in their area for further information.

This brochure was prepared by the Direction des communications.

ISBN 2-550-39248-5

Dépôt légal – Bibliothèque nationale du Québec, 2002

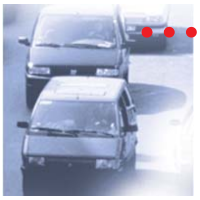
Dépôt légal – Bibliothèque nationale du Canada, 2002

Contents

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, courtesy vehicles, credit financing services offered with respect to the purchase or leasing of road vehicles, and the shipping of road vehicles outside Québec.



Definitions

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.

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, 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 tax is usually calculated on the agreed selling price.

Individual

Person who is not registered for the GST and 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 of more than $10 million in the course of a particular fiscal period.

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

Retail vendor who is registered or is required to be registered for the GST and QST.

Related individuals

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

(In this brochure, the term "spouse" refers to the definition used for the purposes of calculating income tax.)

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. Such vehicles include trailers, semi-trailers and attachable-detachable auxiliary axles that are not motorized, but do not include electric wheelchairs and vehicles that can be used only on rails.

1. Application of the GST and QST

As a rule, the GST and the QST apply, at the rates of 7% 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 7% to sales of new or used road vehicles made by dealers registered for the GST and QST, is calculated on the agreed selling 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 selling 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 selling price (to which the GST has been added, where applicable).

Effective May 1, 1999, 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. Since February 21, 2000, such sales have been zero-rated only if the purchaser is a QST registrant.

In general, the GST and QST on road vehicles must be collected by the vendor. However, since February 21, 2000, vendors who sell a motor vehicle at retail are no longer authorized to collect the QST; the QST is now collected by the SAAQ at the time of registration.

Vendor obligations

If you are a vendor, please note that, even though you are no longer 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 selling 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 be sure to complete section "C- Taxe," on the *Attestation de transaction avec un commerçant* (ATAC) form.

If you fail to correctly indicate the QST payable, you will be liable for any 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 will be required to 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;
- starter lock;
- anti-theft system.

Purchaser obligations

Please note that vendors who sell motor vehicles at retail are no longer authorized to collect the QST on the sale. 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 the Ministère du Revenu**. 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 to the dealer; however, this payment does not constitute the actual payment, as the dealer is acting only as an intermediary between the purchaser and the SAAQ.

2. Acquisition of road vehicles

Purchases of new or used road vehicles

Since February 21, 2000, persons who purchase a new or used motor vehicle at retail have been 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.

Example 1

A dealer registered for the GST and QST sells a used 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.

Agreed selling price		$13,000.00
GST (7%)	+	910.00
Subtotal		$13,910.00
QST ($13,910 x 7.5%)	+	1,043.25 *
Total		**$14,953.25**

In this case, the agreed selling price is higher than the estimated value of the vehicle; the QST must therefore be calculated on the agreed selling 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. In all other cases, the QST must be collected by the dealer.

Effective December 22, 2000, if 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 selling price.

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, before 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 dealer must keep the report, as there may be an audit at a later date. If the purchaser pays QST on the estimated value of the vehicle, he or she may claim a refund of the QST overpaid by submitting a refund application and the evaluation report (dated within 10 working days after the date of the transaction) to the Ministère du Revenu. The purchaser must also submit a copy of form VD-60-V, *Application for a Rebate (or Non-Payment) of the Québec Sales Tax (QST) on a Road Vehicle.*

Example 2

An individual sells a used vehicle to another individual for $10,000. However, the average wholesale price of the vehicle is $13,000. Neither individual is engaged in commercial activities.

Agreed selling price		$10,000.00
Calculation of the QST		
Average wholesale price		$13,000.00
Less	-	500.00
Estimated value		$12,500.00
QST ($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 selling 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 road vehicle in question or the persons involved in the transaction.

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

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 is 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 who accepts a used road vehicle as full or partial consideration for another road vehicle must collect the GST. The dealer must also collect (or calculate, as applicable) the QST only on the difference between the price of the new vehicle supplied and the amount credited to the purchaser with respect to the vehicle traded in (to which the GST has been added, where applicable).

Example 3

An individual who is not required to collect the GST or QST (or calculate the QST) purchases a new 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.

Selling price before taxes		$20,000.00
Credit for the trade-in	–	5,000.00
Subtotal		$15,000.00
GST (7%)	+	1,050.00
Subtotal		$16,050.00
QST (7.5%)	+	1,203.75*
Total		**$17,253.75**

* 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. In all other cases, the QST must be collected by the dealer.

Example 4

An individual who is not required to collect the GST or QST (or calculate the QST) purchases a used vehicle for $20,000 from a used-vehicle dealer. The estimated value of the vehicle is $23,500, that is, the average wholesale price minus $500. The dealer accepts the individual's old vehicle as a trade-in, crediting the individual $5,000 on the trade-in.

Selling price before taxes		$20,000.00		
Credit for the trade-in	–	5,000.00		
Subtotal		$15,000.00		
GST (7%)	+	1,050.00		
Subtotal				$16,050.00
Calculation of the QST				
Estimated value (higher than the selling price)		$23,500.00		
Credit for the trade-in	–	5,000.00		
Subtotal		$18,500.00		
GST (7%)	+	1,050.00		
Subtotal		$19,550.00		
QST ($19,550.00 x 7.5%)			+	1,466.25*
Total ($16,050.00 + $1,466.25)				**$17,516.25**

* 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. In all other cases, the QST must be collected by the dealer.

When the purchaser is not a large business

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 vendor accepts a motor vehicle as a trade-in for the purposes of resale or a long-term lease (a zero-rated supply).

In such cases, both the vendor and the purchaser are required to collect the GST on the selling price because they are each making a taxable sale of a road vehicle.

Where the vehicle traded in is a road vehicle other than a motor vehicle, the rule that applies with respect to the QST is the same as that for the GST. However, 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. In addition, if the trade-in is sold at retail, the purchaser must calculate the QST to be collected by the SAAQ on the vehicle's selling 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 5

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.

Amount payable by the individual on the new vehicle:

Selling price		$20,000
GST (7%)	+	1,400
QST (7.5%)	+	1,605 *
Total		**$23,005**

Amount payable by the dealer on the trade-in:

Selling price		$5,000
GST (7%)	+	350
QST (7.5%)	+	0
Total		**$5,350**

In this case, the individual 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.

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.

* This amount is calculated by the dealer, but paid by the purchaser to the SAAQ when the vehicle is registered.

Example 6

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.

Amount payable by the individual on the new vehicle:

Selling price		$100,000
GST (7%)	+	7,000
QST (7.5%)	+	8,025 *
Total		**$115,025**

Amount payable by the dealer on the trade-in:

Selling price		$40,000
GST (7%)	+	2,800
QST (7.5%)	+	3,210 *
Total		**$46,010**

In this case, the individual is a registrant and must therefore collect the GST. The individual must also collect the QST at the time the 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.

When the purchaser is a large business

Effective December 21, 2001, large businesses can benefit from the trade-in rule pertaining to 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 7

On February 1, 2002, a large business purchases a new motor vehicle for $20,000. The dealer accepts the business' 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.

Amount payable by the large business on the new vehicle:

Selling price				$20,000
GST (7%)			+	1,400
Subtotal				$21,400
Calculation of the QST				
Selling price		$20,000		
Credit for the trade-in	–	5,000		
Subtotal		$15,000		
GST (7%)	+	1,400		
Subtotal		$16,400		
QST ($16,400 x 7.5%)				1,230*
Total				**$22,630**

Amount payable by the dealer on the trade-in:

Selling price		$5,000
GST (7%)	+	350
QST (7.5%)	+	0
Total		**$5,350**

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, this amount is calculated by the dealer, but paid by the purchaser to the SAAQ when the vehicle is registered.

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 cash payment made by the lessee at the end of the contract.

Registrant who leases road vehicles

The lessor must collect the 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 QST if the lessee exercises the purchase option provided for in the contract.

Example 8

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 monthly payments are calculated as shown below:

Term of the lease on the new vehicle: 48 months

Value of the new vehicle	$20,000	
Credit for the trade-in	$5,000	
Cash remitted to individual	– 3,000	
Net amount credited	$2,000	
Subtotal* ($20,000 – $2,000)		$18,000
Residual value (purchase option)		– 8,000
		$10,000

Monthly leasing payment ($10,000/48 months) = $208.33

Calculation of the taxes on monthly payments**

(A) Calculation of the GST

7% x ($20,000 – $5,000 – $8,000/48) = $10.21

(B) Calculation of the QST

7.5% x [($20,000 – $5,000 – $8,000/48) + $10.21] = $11.70

Calculation of monthly payments

$208.33 + $10.21 + $11.70 = $230.24

* 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. Consequently, a second calculation must be made, by reapplying the same formula used to calculate the monthly lease payment, but without first subtracting the cash amount remitted.

Sales of road vehicles involving a third party

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" (that is, a sale involving a third party).

The estimated-value rule must be applied to the **sale** of a used road vehicle to a third party. However, this 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.

Example 9

A dealer sells a new vehicle, for $20,000, 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, minus $500).

Sale of the new vehicle

Selling price		$20,000.00	
Credit for the trade-in	–	10,000.00	
Subtotal		$10,000.00	
GST (7%)	+	700.00	
QST ($10,700 x 7.5%)	+	802.50	*
Total		**$11,502.50**	

Purchase of the used vehicle by the dealer*

Selling price		$10,000.00

Sale of the used vehicle by the dealer

Selling price		$10,000.00		
GST (7%)	+	700.00		
Subtotal				$10,700.00

Calculation of the QST

Vehicle's estimated value (higher than the selling price)		$12,500.00		
GST (7%)	+	700.00		
Subtotal		$13,200.00		
QST ($13,200 x 7.5%)			+	990.00 **
Total ($10,700 + $990)				**$11,690.00**

* 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.

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

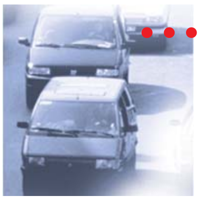
Gifts of used road vehicles

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 (in this case, the term "spouse" includes a de facto or common-law spouse, as defined for the purpose of calculating income tax). Both individuals must complete and sign form VD-80.1-V, *Declaration respecting 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.

Under the QST system, gifts of used road vehicles that are registered are generally taxable if one of the parties is a corporation. The QST respecting such vehicles is calculated on the estimated value, at the rate of 7.5%.



3. Registration of road vehicles

The SAAQ is responsible for monitoring the application of the estimated-value rule when the purchaser of a used road vehicle registers the vehicle.

The Ministère du Revenu considers that where a dealer acts as an intermediary in the sale of a used road vehicle between two individuals, the dealer is neither obligated nor mandated to collect the QST. The transaction is a sale between two individuals since the dealer does not acquire ownership of the vehicle before reselling it to another individual. It is therefore the responsibility of the SAAQ to collect the QST respecting such sales. Any dealer who mistakenly collects the QST in such a transaction is required to remit it to the Ministère.

4. 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 and 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. However, there are certain details concerning sales of road vehicles to Indians that should be clarified.

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 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 vendor or the vendor's agent must deliver the vehicle to a reserve and the purchaser must present 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 the Ministère 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 purchaser is unable to obtain this form before reporting to the SAAQ office, he or she can obtain a refund 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 the local office of the Ministère du Revenu, together with the purchase contract and proof of delivery.

The same procedure applies where an Indian purchases a road vehicle from an individual.

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

Specific measures pertaining to the purchase of vehicles made by a Mohawk of Kahnawake came into effect on December 15, 1999. If a Mohawk of Kahnawake who ordinarily resides on the reserve purchases a vehicle from a dealer licenced 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 ATAC form the note "Mohawk of Kahnawake" in the "TVQ à payer par client" box. The purchaser will then be exempted from paying the QST, regardless of whether the vendor delivered the vehicle to the reserve.

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 portion of the cost attributable to auxiliary driving controls or devices designed to assist in placing a wheelchair. To do so, 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 the Ministère.

The purchaser may also receive a rebate of the GST and QST at the time of sale. To be entitled to this rebate, the purchaser must submit a rebate application to the vendor, who will then take the rebate into account in the calculation of the tax payable on the road vehicle.

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 the Ministère a copy of form FP-189-V, *General Rebate Application*, and form VD-403-V, *General Application for a Québec Sales Tax (QST) Refund*.

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

Courtesy vehicles

Dealers in a large dealership who purchase a motor vehicle for resale purposes and use it as a demonstrator at some point in the course of a given month are required to remit QST to the Ministère in accordance with the established terms and conditions. In this case, the Ministère considers that the dealer has made a sale of the vehicle on the last day of the particular month, and is required to pay 2.5% of the purchase price of the vehicle. The dealer must therefore calculate and remit the QST on this amount 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.

Example 10

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 the Ministère 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
Vehicle B	+	2.5% x $20,000	=	500
Vehicle C	+	2.5% x $15,000	=	375
Total A + B + C			=	$1,175
Total $1,175 x 7.5% (QST)			=	**$88.13**

Road vehicles shipped outside Québec

In Québec, the sale of a road vehicle by a supplier to a purchaser (other than a consumer) who ships the vehicle outside Québec constitutes a zero-rated supply under the QST system. For this rule to apply, the supplier must keep proof showing that the vehicle was shipped outside Québec by the purchaser. Moreover, the vehicle must not have been acquired for use or supply in Québec before being shipped outside Québec. In this regard, the Ministère considers that the fact that a vehicle travels on Québec's highways and roads for the purposes of its shipment outside Québec by a dealer in another province does not constitute use of the property in Québec before its shipment.

Road vehicles taken or shipped outside of Québec by the purchaser

The QST paid on vehicles shipped outside Québec is refunded if the purchaser is

- a person, other than a consumer, who is not resident in Canada;
- 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 resident in Canada, outside 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.

Effective October 1, 2000, consumers who are not resident in Canada are no longer eligible for a refund of the QST.

New motor vehicles shipped outside Québec

A person who has paid QST to the SAAQ on a motor vehicle purchased through a non-registered agent is entitled to a refund 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 refund is being claimed.
- The application covers motor vehicles on which QST is payable **after June 30, 1999**.
- The exporter files the refund application with the Ministère within 12 months following the date on which the QST was paid. Only one application may be filed per month.
- The exporter has had each vehicle registered in his or her name but, no later than 15 days following delivery of a vehicle to the agent, has cancelled 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 outside Québec. This means that the vehicles must not have been registered in the name of another person.

To apply for a refund, the exporter must complete form VD-403.E-V, *Application for a Refund of the QST Paid on New Automotive Vehicles That Are Exported.*

Credit financing 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 for this service. It should be noted that **the GST and QST may be payable** on the commission received, depending on the situation (see the three options described below).

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

The GST and QST are not to be collected 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 the 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 GST and QST must be collected 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. The commission paid for these services is therefore **taxable**.

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

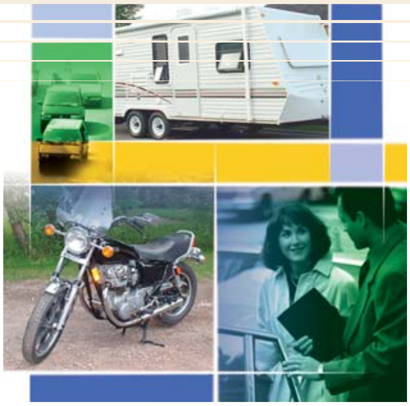
A vendor may conclude an instalment-sale contract with the consumer once the consumer's application is accepted by the finance company or financial institution. In such cases, the vendor retains ownership of the vehicle until the selling price and related credit charges are paid in full. Any subsequent 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**.

3. 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, and then transfers the lease to the company or institution. In addition to paying for the road vehicle, the company or institution pays the dealer a commission.

In this case, the GST and QST must be collected on the commission received, because the transaction is not considered to be a financial service.

More offices to serve you better



Hull
Direction régionale de l'Outaouais
170, rue de l'Hôtel-de-Ville, 6e étage
Hull (Québec) J8X 4C2
(819) 770-1768 or 1 800 267-6299

Jonquière
Direction régionale du Saguenay–Lac-Saint-Jean
2154, rue Deschênes
Jonquière (Québec) G7S 2A9
(418) 548-4322 or 1 800 267-6299

Laval
Direction régionale de Laval, des Laurentides et de Lanaudière
4, Place-Laval, bureau RC-150
Laval (Québec) H7N 5Y3
(450) 972-3320 or 1 866 540-2500

Longueuil
Direction régionale de la Montérégie
Place-Longueuil
825, rue Saint-Laurent Ouest
Longueuil (Québec) J4K 5K5
(450) 928-8820 or 1 866 490-2500

Montréal
- **Direction régionale de Montréal-Centre**
  Complexe Desjardins
  C. P. 3000, succursale Desjardins
  Montréal (Québec) H5B 1A4
  (514) 873-2600 or 1 866 440-2500
- **Direction régionale de Montréal-Est**
  Village Olympique, pyramide Est
  5199, rue Sherbrooke Est, bureau 4000
  Montréal (Québec) H1T 4C2
  (514) 873-2610 or 1 866 460-2500
- **Direction régionale de Montréal-Ouest**
  Les Galeries Saint-Laurent
  2215, boulevard Marcel-Laurin
  Saint-Laurent (Québec) H4R 1K4
  (514) 873-6120 or 1 866 570-2500

Québec
Local office
200, rue Dorchester
Québec (Québec) G1K 5Z1
(418) 659-6299 or 1 800 267-6299

Rimouski
Direction régionale du Bas-Saint-Laurent et de la Gaspésie–Îles-de-la-Madeleine
212, avenue Belzile, bureau 250
Rimouski (Québec) G5L 3C3
(418) 727-3572 or 1 800 267-6299

Rouyn-Noranda
Direction régionale de l'Abitibi-Témiscamingue et du Nord-du-Québec
19, rue Perreault Ouest, RC
Rouyn-Noranda (Québec) J9X 6N5
(819) 764-6761 or 1 800 267-6299

Saint-Jean-sur-Richelieu
Local office for the Montérégie region
855, boulevard Industriel
Saint-Jean-sur-Richelieu (Québec) J3B 7Y7
(450) 349-1120 or 1 866 470-2500

Sainte-Foy
Direction régionale de la Capitale-Nationale et de la Chaudière-Appalaches
3800, rue de Marly
Sainte-Foy (Québec) G1X 4A5
(418) 659-6299 or 1 800 267-6299

Sept-Îles
Direction régionale de la Côte-Nord
391, avenue Brochu, bureau 1.04
Sept-Îles (Québec) G4R 4S7
(418) 968-0203 or 1 800 267-6299

Sherbrooke
Direction régionale de l'Estrie
2665, rue King Ouest, 4e étage
Sherbrooke (Québec) J1L 2H5
(819) 563-3034 or 1 800 267-6299

Sorel-Tracy
Local office for the Montérégie region
101, rue du Roi
Sorel-Tracy (Québec) J3P 4N1
(450) 928-8820 or 1 866 490-2500

Trois-Rivières
Direction régionale de la Mauricie et du Centre-du-Québec
225, rue des Forges, bureau 400
Trois-Rivières (Québec) G9A 2G7
(819) 379-5360 or 1 800 267-6299

I-2002-10

Information service for persons with a hearing impairment: Montréal **873-4455** Elsewhere in Canada **1 800 361-3795**

We invite you to visit our Web site at **www.revenu.gouv.qc.ca**.

Vous pouvez vous procurer la version française de cette publication en demandant le document *La TPS, la TVQ et les véhicules routiers* (IN-624).

Revenu Québec

IN-624-V (2003-05)