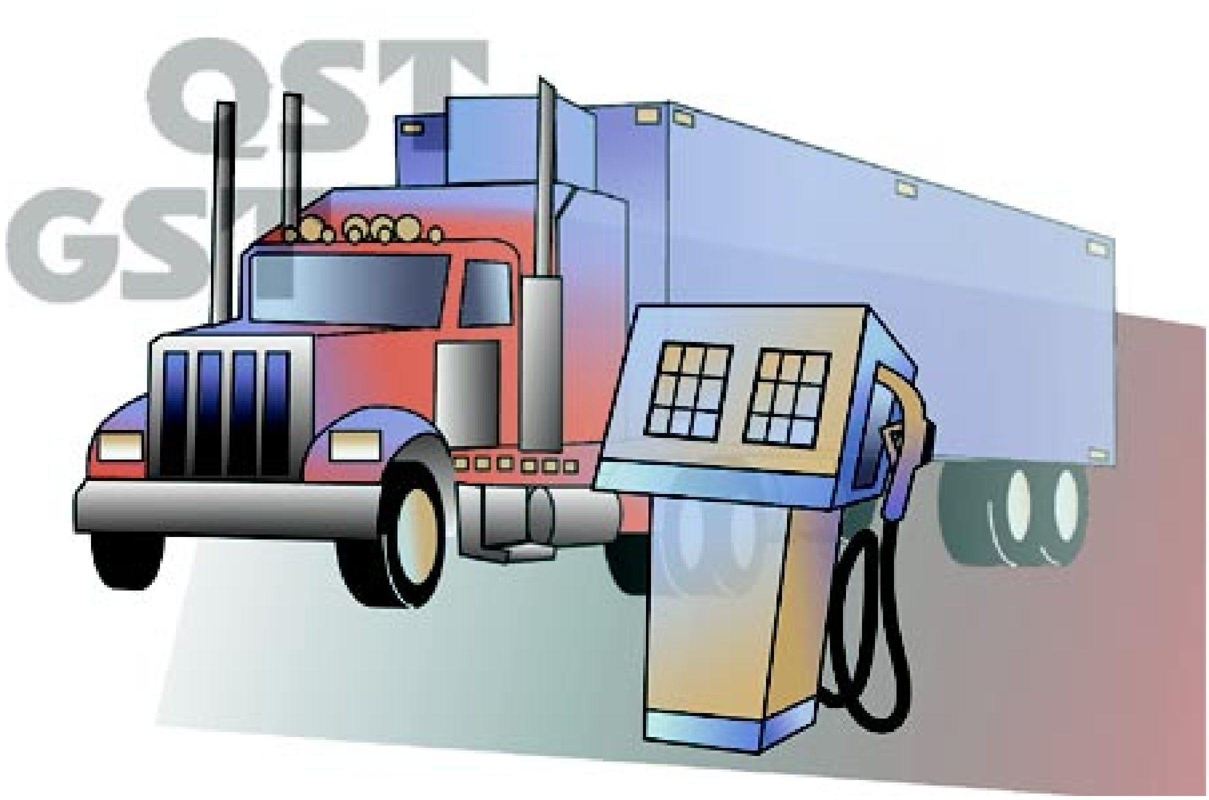
MINISTÈRE DU REVENU DU QUÉBEC

THE QST, THE GST/HST AND THE FUEL TAX: HOW THEY APPLY TO FREIGHT CARRIERS



Canada

Québec

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This brochure is intended to be as specific as possible. It does not, however, deal with certain exceptions that concern only a limited number of persons. If the information you require is not contained in this document, you may refer to the relevant laws and regulations, or contact the office of the Ministère du Revenu du Québec in your area (see the addresses and telephone numbers on the back cover).

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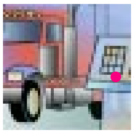

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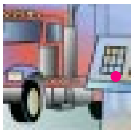


INTRODUCTION

The lifting of restrictions on input tax refunds (ITRs) granted to small and medium-sized businesses, along with Québec's signing of the International Fuel Tax Agreement (IFTA), have significantly changed the administrative procedures to be followed by freight carriers with respect to the QST and the fuel tax. This is of particular importance to motor carriers providing interprovincial or international freight transportation services.

This brochure is intended for freight carriers, including broker drivers, and deals specifically with certain details respecting the administration of the QST, the GST/HST and the fuel tax.

For more general information about the QST and the GST/HST, refer to the brochure *General Information concerning the QST and the GST/HST: Guide for Registrants* (IN-203-V).

1. GST/HST and QST: General Rules

Most property and services are subject to the GST and the QST. The majority of transactions conducted in Canada are GST-taxable at the rate of 7%. Transactions conducted in Québec are subject not only to the GST, but also to 7.5% QST.[1] Certain goods such as basic groceries and prescription drugs are zero-rated (that is, subject to GST and QST at the rate of 0%). A small number of goods and services, including health services and supplies of long-term residential rentals, are exempt from both taxes.

The harmonized sales tax (HST) has been in effect since April 1, 1997, in three of the Atlantic Provinces: New Brunswick, Nova Scotia and Newfoundland. The basic rules applicable to the GST apply as well to the HST; the same goods and services that are taxable at 7% under the GST system are taxable at 15% under the HST system (7% federal component and 8% provincial component). Businesses registered for the GST are automatically registered for the HST; they must collect and remit 15% HST on all taxable sales (except zero-rated sales) that are made in participating provinces.

The federal government refers to this tax as the GST/HST. However, most businesses in Québec that are registered for the GST/HST are not required to collect HST. Therefore, unless stated otherwise, we have used the term GST in this brochure to refer to the GST/HST.

Persons that carry on commercial activities (that is, persons operating a business with taxable or zero-rated sales) are generally required to register for both the GST and the QST. Registrants[2] must collect GST and QST when conducting transactions in respect of which these taxes apply (that is, all taxable sales other than zero-rated sales). However, in the case of a small supplier that has elected not to register for the GST and the QST, these taxes need not be collected, except with respect to the sale of taxable immovables. (A person is generally considered a small supplier throughout a particular calendar quarter and the month immediately following the particular calendar quarter if the total taxable sales, including most zero-rated sales, made world-wide by the person and the person's associates during the four calendar quarters immediately preceding the particular calendar quarter do not exceed $30,000.) Under certain conditions, a person may elect to register for the GST and the QST, even if not required to so.

1. This rate has been in force since January 1, 1998. (It had been 6.5% since May 13, 1994.)

2. Persons that are registered (or are required to be registered) for the GST and QST.

As a general rule, registrants are entitled to recover the GST or QST paid (or payable). This is done by claiming input tax credits (ITCs), under the GST system, and input tax refunds (ITRs), under the QST system, with respect to taxable property and services acquired for use in commercial activities. However, certain restrictions apply to ITRs claimed by large businesses (those whose taxable sales, other than sales of financial services, exceeded $6 million[1] during the last fiscal period that ended before a particular fiscal period). Registrants generally apply for ITCs and ITRs when filing their GST and QST returns for the reporting period during which they made the purchases in question. However, they usually have four years in which to apply for the ITCs and ITRs to which they are entitled. A simplified method has been devised for use by small businesses when they calculate the ITCs and ITRs to which they are entitled at the time they file their GST and QST returns. Although use of the simplified method does not alter the procedure for charging or collecting GST and QST, it nonetheless means that small businesses do not have to calculate the exact amount of tax collected (or to be collected) or the amount of the actual expense applicable to each invoice.

Registrants must calculate the amount of tax they collected (or should have collected) during each reporting period, as well as the tax they paid (or that became payable) during the same period, in respect of which they are entitled to ITCs or ITRs. The difference between the amount collected and the amount paid, plus or minus any adjustments, is the amount of tax that registrants must remit (if the difference is positive) or the refund to which they are entitled (if the difference is negative). Small businesses may use the Quick Method of accounting to determine the amounts of GST and QST to be paid.

In certain instances, a person registering for the GST and the QST may choose the frequency at which the related tax returns will be filed. If no such election is made, the Ministère will indicate the filing frequency.

For more general information about the QST and the GST/HST, refer to the brochure *General Information concerning the QST and the GST/HST: Guide for Registrants* (IN-203-V).

2. Fuel Tax: General Rules

International Fuel Tax Agreement (IFTA)

As a result of Québec's adherence to the International Fuel Tax Agreement (IFTA), Québec carriers providing interprovincial or international freight transportation services are no longer required to file fuel tax returns in any Canadian province or U.S. state in which they operate and which is an IFTA member (this has been the case since January 1, 1996). Instead, they may submit a single return to the Ministère du Revenu du Québec, containing their refund claim or payment of the balance due (as applicable). The Ministère then contacts the provinces or states concerned and proceeds with the necessary adjustments. Carriers must continue to report and remit applicable fuel taxes to states and provinces in which they operate and which have not signed the Agreement. These non-member jurisdictions are listed on the notice of the issue of a permit required under the Agreement, as well as on the *Quarterly Fuel Tax Return* (form CAZ-510-V) that must be completed for IFTA purposes.

Eligible carriers wishing to take advantage of the Agreement must apply to the Ministère du Revenu du Québec for a licence and stickers by completing form CA-500-V, *Application for a Licence and Stickers*. For further information

1. This amount will increase to $10 million as of July 1, 1999.

about the Agreement, refer to the brochure *Carriers and the International Fuel Tax Agreement* (IN-231-V), or contact your carrier association. You may also call the Ministère at one of the following telephone numbers:

Québec City area and long-distance calls from outside Québec:
(418) 659-6231

Long-distance calls from within Québec (toll-free):
1 800 237-IFTA

- **Carriers based in a non-member province or state**

Carriers operating out of a province or state that is not an IFTA member, and using fuel in Québec in road vehicles authorized under IFTA, must obtain a certificate for occasional trips where the fuel was acquired outside Québec.

Bulk fuel carriers

Pursuant to the Fuel Tax Act, carriers that transport bulk fuel in Québec must hold a registration certificate and a permit. To apply, complete form LM-1.CT-V, *Registration Form and Permit Application*.

3. QST Rules

ITR restrictions for large carriers

Small and medium-sized businesses that are registered for the QST may claim an ITR with respect to most property and services acquired in the course of their commercial activities (this has been the case since August 1, 1995). A registrant is generally considered to be a small or medium-sized business for a particular fiscal period if the value of the taxable sales (other than sales of financial services) made in Canada by the registrant and the registrant's associates did not exceed $6 million[4] during the last fiscal period that ended before the particular fiscal period. If the last fiscal period is less than 365 days long, the value of the taxable sales for the last fiscal period must be adjusted on an annual basis. The value of the taxable sales made in Canada includes the value of all exports, including taxable sales deemed to have been made outside Canada. It also includes the value of sales deemed to have been made for nil consideration pursuant to an election made jointly by corporations that are specified members of a group of closely related corporations. However, it excludes GST and the value attributable to the sale of immovables that are capital property, or the goodwill of a business sold (where no QST is payable on the goodwill).

The following property and services do not give entitlement to an ITR when acquired by a large business:

- road vehicles that must be registered under the Highway Safety Code to be driven on public roads, except road vehicles weighing 3,000 kilograms or more that have been acquired since October 17, 1997;
- the fuel used in such vehicles, except uncoloured fuel oil (also known as light diesel fuel) acquired since May 17, 1997;
- electricity, gas, steam or combustibles, except when used in the production of movable property intended for sale;
- telephone services and other telecommunications services, with the exception of "1 800" and "1 888" services;
- food, beverages and entertainment that are 50% deductible under the Taxation Act.

4. This amount will increase to $10 million as of July 1, 1999.

Abolition of MRQ permits

Given that large businesses may apply for an ITR when they acquire road vehicles weighing 3,000 kilograms or more, all MRQ permits have been abolished. Consequently, MRQ authorization numbers are no longer valid (this has been the case since October 17, 1997).

Acquisition of road vehicles weighing 3,000 kilograms or more

Interprovincial and international freight carriers must pay QST when they acquire in Québec a road vehicle weighing 3,000 kilograms or more. Registrants in this case are generally entitled to an ITR. This rule has applied to small and medium-sized businesses since August 1, 1995, and to large businesses since October 17, 1997, irrespective of the number of vehicles the carrier uses for motor transport; it also applies to broker drivers hired by motor carriers, irrespective of the latter's status (interprovincial or international). However, under the Interprovincial Sales Tax Arrangement, interprovincial carriers must remit the taxes that are payable to the other provinces in which they provide services. These taxes are calculated on the basis of the number of kilometres travelled in each province. Carriers may calculate and remit the taxes themselves, or may pay them at the time of registration. This means, for example, that if a vehicle is acquired in a province other than Québec, QST need not be paid in proportion to the number of kilometres travelled in Québec. This rule also applies to vehicles weighing 3,000 kilograms or more that are leased by an interprovincial carrier for a period of more than 30 days.

Acquisition of road vehicles weighing less than 3,000 kilograms

The usual rules apply when a small or medium-sized business acquires in Québec a vehicle weighing less than 3,000 kilograms: the business must pay QST, but is generally entitled to an ITR (provided it is a QST registrant).

Where a large interprovincial carrier acquires in Québec a vehicle weighing less than 3,000 kilograms, the carrier must pay QST, in addition to the prescribed taxes in each of the provinces it serves. These taxes are prorated according to the number of kilometres travelled in each province. However, the carrier is entitled to a rebate respecting the QST paid. The rebate is determined according to the distribution of the number of kilometres travelled. Carriers must register their vehicles with the competent authorities in the provinces that are members of the Canadian Agreement on Vehicle Registration (CAVR).

Where a vehicle weighing less than 3,000 kilograms is acquired in a province other than Québec, the prescribed provincial taxes must be paid in proportion to the number of kilometres travelled in each province in which the vehicle is used. Large businesses, unlike their smaller counterparts, must themselves calculate and remit QST with respect to the kilometres travelled in Québec.

Where a road vehicle weighing less than 3,000 kilograms is acquired in Québec by a large international carrier, the carrier must pay QST, but is entitled to a rebate respecting the QST paid. The rebate is equal to the difference between the amount of QST actually paid and the amount of tax owing, based on the number of kilometres travelled in Québec.

4. Rules for Broker Drivers under Contract to an Interprovincial Carrier

A broker driver is any person that, under the terms of a written contract with a carrier, agrees to provide a vehicle and the services of a driver under the direct control of the carrier.

Contracts with an interprovincial carrier operating more than 10 vehicles

Where QST was paid when the broker driver's vehicle was purchased, and the vehicle is a class A vehicle (as a general rule, 3,000 kilograms or more), the registration office collects the tax from the broker driver with respect to all the provinces in which the broker driver operates. QST will not be collected where the broker driver provides proof that it was paid at the time of purchase. If the vehicle is a class B or class C vehicle (weighing less than 3,000 kilograms), a broker driver that is considered to be a large business is responsible for calculating and remitting QST (which means that the carrier may not reduce the amount of QST owing by any amount the broker driver remits as tax to the other provinces).

Where QST was not paid when the broker driver's vehicle was purchased, the carrier must complete a certificate of broker driver payment, and must distribute the taxes among the provinces in which the broker driver operates (with the exception of Québec, as the QST is nil in this instance).

Tax treatment of the reimbursement of a broker driver's expenses

Where an international or interprovincial carrier acquires transportation services under a contract with a broker driver, the latter is often required to reimburse the carrier for fuel and insurance expenses. The application of the GST and the QST in such situations is explained below, along with the application of these taxes in respect of administration expenses.

• Fuel expenses

The carrier must collect GST and QST from the broker driver in respect of all taxable supplies of fuel made by the carrier to the broker driver, except in the case of fuel purchased outside Canada or (for QST purposes) outside Québec.

• Insurance expenses

As a general rule, the broker driver agrees to be insured under the carrier's policy and to reimburse the carrier for the portion of the insurance premium that applies to the broker driver. The carrier must collect GST and QST with respect to the portion of the insurance costs the carrier bills to the broker driver.

• Administration expenses

The carrier must collect GST and QST with respect to administration expenses the carrier bills to the broker driver.

5. Forms

Registration forms

Freight carriers that are required to register for the GST and QST (or that choose to do so) must complete form LM-1-V, *Application for Registration*. Those that transport bulk fuel, or tobacco intended for sale but not identified in accordance with the package requirements set forth in the Tobacco Tax Act, must also complete form LM-1.CT-V, *Registration Form and Permit Application*.

GST and QST returns

Registered carriers must complete and file sales tax returns on a monthly, quarterly or annual basis, depending on their reporting period. The sales tax returns are the *GST Return* (form FPZ-34-V), the *QST Return* (form VDZ-471-V), and the *GST-QST Return* (form FPZ-500-V).

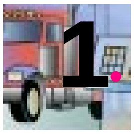
Unregistered carriers may be required to complete the *Special-Purpose Return* (form FP-505-V). Large businesses applying for a refund of the QST paid on gasoline purchased in Québec but used outside Québec in road vehicles covered by IFTA must complete the *Schedule to Be Completed by Large Carrier Businesses* (form VDZ-471.GE-V).

Fuel tax forms

• Carriers wishing to take advantage of IFTA provisions

These carriers must complete the *Application for a Licence and Stickers* (form CA-500-V), and file it with the Ministère. They must also file the *Quarterly Fuel Tax Return* (form CAZ-510-V).

Appendix



1

ZERO-RATED SUPPLIES TO CARRIERS

Certain supplies of property and services are zero-rated when made to a carrier; the most common are described below.

Supplies to unregistered non-resident carriers

Certain property (other than immovable property, also called "real property") and services are zero-rated when acquired in Canada or Québec, as the case may be, by a person that is not resident in Canada (or in Québec, for QST purposes) and is not registered for the sales tax concerned. This is the case of property and services acquired by the person for use, consumption or supply

- in the course of transporting property or passengers, where the person is carrying on a business of transporting property or passengers to or from Canada (or to or from Québec, for QST purposes) by ship, aircraft or railway. This is also the case where freight or passengers transit through Canada (or Québec, for QST purposes) en route between two places outside Canada;

- in the operation of a ship or aircraft by or on behalf of the government of a country other than Canada (or, for QST purposes, by or on behalf of the government of the Yukon Territory or the Northwest Territories, a province other than Québec, or a country other than Canada); or

- in the course of operating a ship to obtain scientific data outside Canada (or outside Québec, for QST purposes), or to lay or repair underwater telegraph cable.

The following property and services are zero-rated: fuel and supplies used in the operation of a ship, aircraft or rail service; repair and maintenance services; railway junction and switching charges; pilotage services; and rights in respect of immovable property (real property) for which fees are charged (such as aircraft landing fees, railway right-of-way charges, warehouse fees, etc.). To be zero-rated, the property or service must also have been acquired for consumption, use or supply in the non-resident operator's carriage business or in the course of operating the relevant conveyance.

Supplies of fuel to registered international carriers

Supplies of fuel to registered carriers are zero-rated where the carrier is a person that

- carries on a business of transporting property or passengers to or from Canada (or to or from Québec, for QST purposes) by ship, aircraft or railway. This is also the case where freight or passengers transit through Canada (or Québec, for QST purposes) en route between two places outside Canada; and

- acquires the fuel for use in so transporting property or passengers.

Emergency repair services supplied to non-resident persons

Emergency repair services (including parts sold in conjunction with the service) are zero-rated when supplied to a person not resident in Canada (or Québec, for QST purposes) in respect of a cargo container or conveyance that is being transported or used by the non-resident person in the course of a business of transporting property or passengers.

Appendix

2

ZERO-RATED FREIGHT TRANSPORTATION SERVICES

Domestic freight and passenger transportation services (that is, those supplied within Canada or Québec, as applicable), other than municipal transportation services, are subject to GST and QST. Even where freight transportation services are supplied in part outside Canada (or Québec, for QST purposes), the supply is considered to be made in Canada (or Québec) if both the origin and destination of the freight are in Canada (or Québec). Such services are therefore subject to GST of 7% (and, in Québec, to QST of 7.5%).

For QST purposes, where corporeal movable property (also called "tangible personal property") is transported from a place in Canada outside Québec to a place inside Québec, the transportation service is deemed to have been supplied outside Québec. A person resident in Québec that acquires such a service must calculate and remit QST, unless the service is acquired for use exclusively in the person's commercial activities.

International freight transportation services are zero-rated under both the GST and QST systems.

Definitions

Continuous freight movement: the transportation of corporeal movable property (also called "tangible personal property") by one or more carriers to a destination specified by the shipper of the property, where all the freight transportation services supplied by the carrier or carriers are supplied as a consequence of instructions given by the shipper of the property.

Continuous outbound freight movement (GST system): the transportation of corporeal movable property (also called "tangible personal property") by one or more carriers from a place in Canada to a place outside Canada, or to another place in Canada from which the property is to be exported. Once possession of the property has been transferred from the shipper to the domestic carrier, the property must not be further processed, transformed or altered in Canada, except to the extent that is reasonably necessary for its transportation.

(This definition also holds under the QST system, with the following substitutions: "Québec" for "Canada" and "taken or shipped outside Québec" for "exported.")

For example, it may be necessary to freeze goods to ensure they arrive at their destination in usable condition, or to disassemble or pack items at a port to prevent in-transit damage. In each of these instances, the transformation or alteration of the goods is considered necessary for their transportation and, therefore, does not prevent the domestic shipment from qualifying as part of a continuous outbound freight movement. However, where a steel manufacturer, for example, receives a domestic shipment of iron ore and subsequently exports the steel produced from the ore (or, for QST purposes, ships it outside Québec), the transformation of the iron ore into steel is not necessary for its transportation. Consequently, the domestic transportation service that relates to the iron ore cannot be considered part of a continuous outbound freight movement and is subject to GST and QST.

Destination (in respect of a continuous freight movement of property): a place, specified by the shipper of the property, where possession of the property is transferred from the shipper to the person to whom the property is consigned or addressed by the shipper.

Freight transportation service: a particular service of transporting corporeal movable property (also called "tangible personal property"), a service of delivering mail, and any other property or service supplied by the person supplying the particular service, where the other property or service is part of or incidental to the particular service (whether or not there is a separate charge for the other property or service). The transportation of an individual's baggage in connection with the supply of a passenger transportation service does not constitute a freight transportation service.

Consequently, carriers providing services that are incidental to their freight transportation service may, for GST and QST purposes, consider such incidental services to be the same as the main service. (Incidental services might include warehouse, packing or loading services.) In other words, incidental services will be taxable or zero-rated depending on whether the main service is taxable or zero-rated.

Origin (in respect of a continuous freight movement): the place where the first carrier engaged in the continuous freight movement takes possession of the property being transported.

Place outside Canada: A place outside Canada includes, at a given time, a place in Canada if, at that time, the property being transported has been imported but has not been released, and is being transported in compliance with the Customs Act or any other Act of Parliament that prohibits, controls or regulates the importation of goods.

Shipper: Person that, at the origin of a continuous freight movement or continuous outbound freight movement, transfers to a carrier possession of the corporeal movable property (also called "tangible personal property") being shipped. "Shipper" does not include a person that is a carrier of the property to which the transportation service relates.

List of zero-rated freight transportation services

• Outbound services

Under the GST system, a freight transportation service is zero-rated when supplied in respect of goods that are transported from a place in Canada to a place outside Canada, provided the value of the consideration for the supply is $5 or more.

Under the QST system, a freight transportation service is zero-rated when supplied in respect of property that is transported from a place in Québec to a place outside Canada, provided the value of the consideration for the supply is $5 or more (not including GST).

• Domestic outbound services

Under the GST system, a freight transportation service is zero-rated when supplied in respect of goods that are transported from a place in Canada to another place in Canada, provided the following conditions are met:

- the property is exported, and the domestic transportation service is part of a continuous outbound freight movement;
- the value of the consideration for the supply is $5 or more; and
- the shipper of the property provides the carrier with a written declaration that the property is being shipped for export and the freight transportation service is part of a continuous outbound freight movement. The shipper's declaration may be written on the bill of lading given to the first carrier, or on a separate document given to the carrier. It must contain the following information:

Shipper's Declaration
(Excise Tax Act, Schedule VI, Part VII, par. 7(a))

The property is being shipped for export, and the freight transportation service to be supplied by the carrier is part of a continuous outbound freight movement of the property.

YES ☐ **NO** ☐

If no such declaration is provided, the carrier must collect GST on any part of the freight transportation service that is supplied in Canada.

Under the QST system, a freight transportation service is zero-rated when supplied in respect of property, provided the following conditions are met:

- the property is transported from a place in Québec to another place in Québec;
- the shipper remits to the carrier a completed copy of form VD-197-V, *Declaration concerning the Transportation of Corporeal Movable Property*, as confirmation that the property is being shipped for export (the declaration used under the GST system may also be used under the QST system);
- the service to be supplied by the carrier is part of a continuous outbound freight movement;
- the property is taken or shipped outside Québec, and the domestic transportation service is part of a continuous outbound freight movement;
- the value of the consideration for the supply is $5 or more (not including GST).

• Inbound services

Under the GST system, a freight transportation service is zero-rated when supplied in respect of goods that are transported from a place outside Canada to a place in Canada, or from a place outside Canada to another place outside Canada. This includes fully in-bond freight transportation services, as well as in-transit moves through Canada from a place outside Canada to another place outside Canada.

Example

Goods enter Canada through the Port of Halifax, and a separate bill of lading is cut for an overland movement by rail to Montréal. As long as the goods are not released from customs until they reach Montréal, the domestic movement by rail is considered to be outside Canada, and is therefore zero-rated.

Under the QST system, freight transportation services are deemed to be supplied in Québec if the supply is made in Québec. This means that a freight transportation service is not subject to QST when supplied in respect of property that is transported from a place outside Canada to a place in Canada (outside Québec), or from a place outside Canada to another place outside Canada.

• Domestic inbound services

Under the GST system, a freight transportation service is zero-rated when supplied in respect of goods that are transported between two places in Canada, provided the service is supplied as a consequence of the shipper's instructions and is part of a continuous freight movement having its origin outside Canada and destination in Canada. However, the carrier providing the domestic freight transportation service must hold documentary evidence that the service is part of a continuous freight movement originating in a place outside Canada.

Example

A shipment arrives in Montréal from London, England, on an original bill of lading on which the shipper has specified that the destination of the goods is Toronto. A carrier engaged under a separate contract to deliver the goods to the consignee in Toronto may zero-rate the domestic transportation service, provided the carrier has a copy of the original bill of lading (or other documentary evidence satisfactory to the Minister), certifying that the transportation service is part of a continuous freight movement originating in a place outside Canada.

Under the QST system, a freight transportation service is zero-rated when supplied in respect of property that is transported from a place in Canada to a place in Québec, provided the service is supplied as part of a continuous freight movement having its origin outside Canada and its destination in Québec, and as a consequence of the shipper's instructions (documentary evidence to this effect is required).

A freight transportation service between two places in Québec is deemed to be supplied outside Québec if the service is part of a continuous freight movement having its origin in Canada (but outside Québec) and its destination in Québec. A person resident in Québec that acquires such a service must collect and remit QST, except where the service is acquired for use exclusively in the person's commercial activities.

The table below shows how to apply the GST and the QST on the basis of the origin and destination of freight. As explained earlier, the transportation of freight from a place in Canada (or Québec, for QST purposes) to another place in Canada (or Québec, for QST purposes) may be zero-rated if the service is part of a continuous freight movement.

Origin	Destination	GST	QST
Québec	Québec	Taxable	Taxable
Canada (outside Québec)	Québec	Taxable	Not applicable[1]
Outside Canada	Québec	Zero-rated	Zero-rated
Québec	Canada (outside Québec)	Taxable	Zero-rated (if ≥ $5)[2]
Canada (outside Québec)	Canada (outside Québec)	Taxable	Not applicable
Outside Canada	Canada (outside Québec)	Zero-rated	Not applicable
Québec	Outside Canada	Zero-rated (if ≥ $5)	Zero-rated (if ≥ $5)[2]
Canada (outside Québec)	Outside Canada	Zero-rated (if ≥ $5)	Not applicable
Outside Canada	Outside Canada	Zero-rated	Not applicable

1. The service is deemed to be supplied outside Québec. However, where the service is not acquired for consumption, use or sale exclusively in the person's commercial activities, the person acquiring the service (if resident in Québec) must calculate and remit QST.
2. Not including GST

• Interline freight settlements

Sometimes a number of carriers are involved in the supply of a freight transportation service that is part of a continuous freight movement from the premises of the shipper to those of the recipient. This results in interline settlements (payments distributed among carriers).

The nature of contractual relationships between carriers may vary. In some cases, an interline carrier works under subcontract to another carrier. In other cases, interline carriers have an implied contract with a shipper or consignee. The resulting interline settlements between carriers, whether in respect of a domestic or an international movement, are considered payments for freight services supplied to each other, and are therefore zero-rated. Only the carrier that bills the freight transportation service to the customer (shipper or recipient) is required to charge and collect GST and QST. Any subsequent disbursements to other carriers involved in the transportation of the goods (interline carriers) are zero-rated.

• International freight forwarders

Freight-forwarding services are zero-rated where the forwarder is acting as the agent of a person that is not resident in Canada (or Québec, for QST purposes) and is not registered at the time the service is supplied. However, the service must relate to the supply of a zero-rated freight transportation service described in the list above (except those described under "Interline freight settlements").

If you need more information, or wish to order additional copies of this publication, call one of our special telephone lines for enquiries concerning the GST and the QST.

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