Revenu Québec

Canada Revenue Agency / Agence du revenu du Canada

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

revenuquebec.ca

AS A FREIGHT CARRIER OR BROKER DRIVER, YOU COLLECT AMOUNTS OF QST, GST/HST AND FUEL TAX — KEY SOURCES OF REVENUE FOR QUÉBEC SOCIETY — THAT ARE REINVESTED IN OUR SOCIAL PROGRAMS.

This document is designed to help you apply those taxes.

This document was prepared in collaboration with the Canada Revenue Agency.

Canada Revenue Agency   Agence du revenu du Canada

This document 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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INTRODUCTION

This document is intended for freight carriers and broker drivers. It details how the GST/HST, the QST and the fuel tax are administered.

Québec's participation in the International Fuel Tax Agreement (IFTA), as well as restrictions pertaining to input tax refunds (ITRs) for large businesses, have affected the administrative procedures freight carriers must follow with respect to the QST and the fuel tax. This is of particular importance to motor carriers providing interprovincial or international transportation services.

For more information about the GST/HST and the QST, see *General Information Concerning the QST and the GST/HST* (IN-203-V).

Abbreviations used in this document

GST	Goods and services tax
HST	Harmonized sales tax
IFTA	International Fuel Tax Agreement
ITC	Input tax credit
ITR	Input tax refund
QST	Québec sales tax
SMB	Small and medium-sized business

GST/HST AND QST: GENERAL RULES

GST[1] and QST are collected on the supply of most property and services. Most transactions conducted in Canada are GST-taxable at the rate of 5% of the sale price.[2] Transactions conducted in Québec are subject not only to GST, but also to 9.975% QST calculated on the sale price. Certain goods (such as basic groceries and prescription drugs) are zero-rated, which means they are subject to GST and QST at the rate of 0%. A small number of goods and services (such as health services and supplies of long-term residential rentals) are tax-exempt, which means they are subject to neither the GST nor the QST.

The HST applies in participating provinces (New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island). In general, the rules that apply to the GST also apply to the HST. Businesses must collect and remit HST on all taxable sales (excluding zero-rated sales) they make in these provinces. To find out the applicable HST rate in each of the participating provinces, see our website at **revenuquebec.ca**.

Businesses in Québec that are registrants[3] are required to collect the HST on sales they make in the participating provinces. However, the term "HST" is not used systematically throughout this document. Therefore, unless stated otherwise, we have used the term "GST" to refer to the GST/HST.

Persons that carry on commercial activities (that is, persons operating a business that makes taxable and zero-rated sales) are generally required to register for both the GST and the QST. As registrants, they must collect GST and QST on all their taxable sales (other than zero-rated sales). A person that carries on commercial activities that has elected not to register for the GST and the QST because the person is a small supplier is required to collect the taxes, but only on the sale of taxable immovables.

A person is generally considered a small supplier if the total taxable sales made worldwide by the person and the person's associates do not exceed $30,000 during a particular calendar quarter or for the four calendar quarters immediately preceding that quarter. This amount does not include sales of capital property (such as buildings or automobiles). Even if you are not required to register for the GST and QST, you can elect to do so if you meet certain conditions.

As a registrant, you can recover the GST and QST paid or payable by you on goods or services that you acquire for use in your commercial activities. You do this by claiming an ITC[4] under the GST system and an ITR under the QST system. However, certain restrictions apply to ITRs claimed by large businesses (those whose taxable sales exceeded $10 million during the last 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 generally have four years in which to apply for the ITCs and ITRs to which they are entitled.

Small businesses can use a simplified method to calculate their ITCs and ITRs. It does not alter the procedure for charging or collecting GST and QST, or the procedure for reporting the tax collected. It simply means that small businesses do not have to calculate the exact amount of tax collected (or to be collected) for each invoice or other supporting document.

1. In the first two paragraphs of this page, "GST" means the GST only, not the GST/HST.
2. In this document, we generally use the term "sales" instead of "supplies," since goods and services are most often supplied by way of sale.
3. "Registrants" are persons that are registered (or are required to be registered) for the GST and QST.
4. Registrants that claim ITCs for HST paid in Ontario or Prince Edward Island may have to recover the provincial portion of the HST paid on the purchase of certain property or services. For more information, consult our website at **revenuquebec.ca**.

As a registrant, you must complete a GST return and a QST return to report the amount of tax you collected (or should have collected) and the taxes you paid and with regard to which you are claiming ITCs or ITRs.

When you complete your returns, you must subtract your ITCs and ITRs, respectively, from the GST and QST that you collected (or should have collected). The difference between the amount you collected and the amount you paid is, if positive, the net tax that you have to remit or, if negative, the refund to which you are entitled. Small businesses can use the Quick Method of Accounting to determine the amounts of GST and QST to be remitted.

In certain instances, you can choose the filing frequency for the GST and QST returns when you register for the taxes. If you do not make an election, we will assign you a filing frequency.

For more information about the GST/HST and the QST, see *General Information Concerning the QST and the GST/HST* (IN-203-V).

Registering for the GST and the QST

If you are required to register for the GST and the QST (or if you choose to register), you can do so:

- by using the online services available on our website at revenuquebec.ca;
- by calling one of the numbers given on the back of this document; or
- by completing form LM-1-V, *Application for Registration*, which is available on our website (or can be ordered online or by phone).

If you transport bulk fuel, you must also complete form CA-27.1-V, *Permit Application: Fuel Tax Act*. If you transport unidentified tobacco intended for sale or raw tobacco,[5] you must also complete form TA-6.1-V, *Permit Application: Tobacco Tax Act*.

Reporting the GST and QST

If you are a registrant, you must file a GST or QST return for each reporting period.

Registrants whose total annual taxable sales[6] made in Canada exceed $1.5 million must file their GST and QST returns electronically. To file the returns, they can use software authorized by Revenu Québec, our online services or the online services of a participating financial institution. With our online services, you can consult your returns and statements of account, and view information concerning your payments and refunds. For more information, visit our website at revenuquebec.ca.

Registrants whose total annual taxable sales are $1.5 million or less have the option of filing their returns electronically or by mail. If they choose to file by mail, they must use the following forms (which we will send them):

- the GST return (form FPZ-34-V);
- the QST return (form VDZ-471-V); and
- the GST-QST return (form FPZ-500-V).

Carriers that are not registrants may be required to complete the *Special-Purpose Returns* (form FP-505-V) and the *QST Return Respecting Property or a Service Brought into Québec by a Person That Is Not a QST Registrant* (form FP-505.D.D-V).

5. Tobacco leaves that have not been processed beyond the drying stage and fragments of such tobacco leaves, and tobacco for use in the composition of tobacco products intended for sale.

6. Total annual taxable sales do not include sales made outside Canada, zero-rated exports of property and services, zero-rated financial services and taxable sales of immovables and goodwill. They do include taxable sales made by associates.

FUEL TAX: GENERAL RULES

IFTA

Québec's adherence to IFTA reduces your administrative burden if you provide interprovincial or international transportation of freight or passengers, since you are not required to file fuel tax returns in each member jurisdiction in which you operate. You are only required to file a single return (form CAZ-510-V, *Quarterly Fuel Tax Return)* for each quarter with your base jurisdiction, along with payment of the balance due or a refund claim (as applicable). The base jurisdiction then contacts the jurisdictions concerned in order to make the necessary administrative adjustments. You must nevertheless contact the competent authority for each non-member jurisdiction in which you operate to find out the requirements of each such jurisdiction.

If you are subject to IFTA, you must apply to Revenu Québec for a licence and decals by completing form CA-500-V, *Application for an IFTA Licence and Decals*. For more information about IFTA, see *Carriers and the International Fuel Tax Agreement* (IN-231-V), or contact your carrier association. You can also call us at one of the following numbers:

- Québec City area and long-distance calls from outside Québec: 418 652-IFTA (4382)
- Long-distance calls from within Québec (toll-free): 1 800 237-IFTA (4382)

Carriers based in a non-member jurisdiction

If you are a carrier based in a jurisdiction that is not an IFTA member, you must obtain a certificate for occasional trips to operate a road vehicle authorized under IFTA within Québec. To apply for a certificate, call us at 418 652-IFTA (4382).

Bulk-fuel carriers

Pursuant to the *Fuel Tax Act*, if you are a carrier of bulk fuel in Québec, you must hold a permit. To apply for one, complete form CA-27.1-V, *Permit Application: Fuel Tax Act*.

Tobacco carriers

Pursuant to the *Tobacco Tax Act*, if you are a carrier of tobacco that is intended for sale in Québec but is not identified in accordance with that Act, you must hold a permit. The same obligation applies if you are a carrier of raw tobacco (that is, tobacco leaves that have not been processed beyond the drying stage and fragments of such tobacco leaves, and tobacco for use in the composition of tobacco products intended for sale). To apply for a permit, complete form TA-6.1-V, *Permit Application: Tobacco Tax Act*.

ZERO-RATED SUPPLIES TO CARRIERS

Under the GST and QST systems, 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

A person not resident in Canada that is not a registrant (or a person not resident in Québec that is not a registrant) may acquire zero-rated personal (movable) property or services in Canada (or Québec). This is the case for property and services acquired by such a 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 (to or from Québec, for QST purposes) by ship, aircraft or railway (this is also the case where property or passengers transit through Canada en route between two places outside Canada [through Québec en route between two places outside Québec, for QST purposes]);
- in the operation of a ship or aircraft by or on behalf of the government of a country other than Canada (by or on behalf of the government of the Northwest Territories, the Yukon Territory, Nunavut, a province other than Québec or a country other than Canada, for QST purposes); or
- in the course of operating a ship for the purpose of obtaining scientific data outside Canada (outside Québec, for QST purposes), or for the laying or repairing of oceanic 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; and pilotage services. Rights in respect of immovable property (real property) for which fees are charged (such as aircraft landing fees, railway right-of-way charges and warehousing fees) are also zero-rated.

Supplies of fuel to registered international carriers

Supplies of fuel to a carrier are zero-rated, provided the following conditions are met:

- The person is a registrant at the time of the supply.
- The person carries on a business of transporting property or passengers to or from Canada (to or from Québec, for QST purposes) by ship, aircraft or railway. This is also the case where property or passengers transit through Canada en route between two places outside Canada (through Québec en route between two places outside Québec, for QST purposes).
- The person acquires the fuel for use in a business of 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 where they are supplied to a person not resident in Canada (in Québec, for QST purposes) and they relate to a container that is being transported or a means of conveyance that is being used by the person in the course of a business of transporting property or passengers.

FREIGHT TRANSPORTATION SERVICES

Freight and passenger transportation services (other than municipal transportation services) supplied in Canada are subject to GST (and QST, if supplied in Québec). Even where freight transportation services are supplied in part outside Canada (outside Québec, for QST purposes), the supply is considered to be made in Canada (in Québec, for QST purposes) if both the origin and destination of the freight are in Canada (in Québec, for QST purposes). Such services are therefore subject to GST[7] at the rate of 5% if the destination is in Québec or another non-participating province, and to HST[8] if the destination is in a participating province. If both the origin and the destination of the freight are in Québec, the service is also subject to QST at the rate of 9.975%, provided it is not part of a continuous freight movement to a place outside Québec or from a place outside Canada.

For QST purposes, where corporeal movable property (also called "tangible personal property") is transported from a place in Canada outside Québec to a place in 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.

7. Here "GST" means the GST only, not the GST/HST.

8. To find out what the applicable HST rate is in each of the participating provinces, consult our website at revenuquebec.ca.

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

For GST purposes, 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. After the shipper transfers possession of the property to the carrier and before the property is exported, the property must not be further processed, transformed or altered in Canada, except to the extent reasonably necessary for its transportation.

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 transportation service supplied in Canada from qualifying as part of a continuous outbound freight movement.

However, where a shipment of iron ore is made in Canada to a steel manufacturer that subsequently exports the steel produced from the ore, the transformation of the iron ore into steel is not necessary for its transportation. Therefore, the transportation service supplied in respect of the iron ore is subject to tax because it is not considered part of a continuous outbound freight movement.

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

Destination (in respect of a continuous freight movement)

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"), including a service of delivering mail, and any other property or service supplied to the recipient of the particular service by the person that supplies the particular service, where the other property or service is part of or incidental to the particular service (regardless of whether there is a separate charge for the other property or service). However, the transporting of an individual's baggage in connection with the supply of a passenger transportation service does not constitute a freight transportation service.

Carriers that supply certain services, such as warehousing, packing or loading, along with their freight transportation service should consider such incidental services to be the same as the freight transportation service, for GST and QST purposes. In other words, incidental services are taxable or zero-rated depending on whether the supply of the freight transportation service is taxable or zero-rated, under the GST and QST systems.

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, or a place in Canada if the property has been imported but has not been released and is being transported in compliance with the *Customs Act* or any other federal statute that prohibits, controls or regulates the importation of property.

Shipper

A 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 freight movement relates.

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 deemed to be made outside Québec and is not subject to the QST when supplied in respect of property that is transported from a place in Québec to a place outside Québec.

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.
- 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 can 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.*

[Name of shipper or shipper's authorized representative]
[Signature of shipper or shipper's authorized representative]

* Within the meaning of subsection 1(1) of Part VII of Schedule VI to the *Excise Tax Act*.

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 that is transported from a place in Québec to another place in Québec, provided the following conditions are met:

- The property is taken or shipped outside Québec, and the service is part of a continuous freight movement out of Québec.
- The value of the consideration for the supply is $5 or more.
- If the property is being taken or shipped outside Canada, the shipper gives 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 taken or shipped outside Québec and that the freight transportation service to be supplied by the carrier is part of a continuous freight movement out of Canada. (The declaration used under the GST system can also be used under the QST system.)

Note that a freight transportation service is also zero-rated when supplied in respect of property that is transported from a place in Québec to another place in Québec, if the property is being taken or shipped outside Québec to a place in Canada and the service is part of a continuous freight movement out of Québec.

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 a supply of a freight transportation service in respect of goods being held in bond that have not been released, as well as in-transit moves through Canada from a place outside Canada to another place outside Canada.

Under the QST system, freight transportation services are, as a rule, deemed to be supplied in Québec if the destination of the supply is located 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 Québec to another place outside Québec (for example, from a place outside Canada to a place in Canada, outside Québec).

However, a freight transportation service is deemed to be supplied outside Québec when supplied in respect of property that is transported from a place in Canada (outside Québec) to a place in Québec. This service is therefore not subject to QST. A freight transportation service is zero-rated when supplied in respect of property that is transported from a place outside Canada to a place in Québec.

Domestic 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 in Canada to another place in Canada, provided the service is supplied as a consequence of the shipper's instructions and is part of a continuous freight movement from an origin outside Canada to a destination in Canada. However, the carrier that supplies this freight transportation service in Canada must hold documentary evidence that the service is part of a continuous freight movement from an origin outside Canada to a destination in Canada in order for the service to be zero-rated.

Example

A shipment arrives in Montréal from London, England, under 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 can zero-rate the freight transportation service supplied in Canada, provided the carrier has a copy of the original bill of lading (or other documentary evidence satisfactory to Revenu Québec), certifying that the service is part of a continuous freight movement from an origin outside Canada to a destination in 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 a consequence of the shipper's instructions (documentary evidence to that effect is required) and is part of a continuous freight movement from an origin outside Canada to a destination in Québec. A freight transportation service between a place in Québec and another place in Québec is deemed to be supplied outside Québec if the service is part of a continuous freight movement from an origin in Canada (outside Québec) to a destination in 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.

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

Origin	Destination	GST[9] or HST	QST
Québec	Québec	Taxable (GST)	Taxable
Canada (outside Québec)	Québec	Taxable (GST)	Not applicable[10]
Outside Canada	Québec	Zero-rated	Zero-rated
Québec	Canada (outside Québec in a participating province)	Taxable (HST)	Not applicable
Québec	Canada (outside Québec in a non-participating province)	Taxable (GST)	Not applicable
Canada (outside Québec)	Canada (outside Québec in a participating province)	Taxable (HST)	Not applicable
Canada (outside Québec)	Canada (outside Québec in a non-participating province)	Taxable (GST)	Not applicable
Outside Canada	Canada (outside Québec)	Zero-rated	Not applicable
Québec	Outside Canada	Zero-rated (if ≥ $5)	Not applicable
Canada (outside Québec)	Outside Canada	Zero-rated (if ≥ $5)	Not applicable
Outside Canada	Outside Canada	Zero-rated	Not applicable

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 consignee. This process is called interlining.

The nature of contractual relationships between carriers can vary. In some cases, an interline carrier works under subcontract to another carrier. In other cases, interline carriers have an implied contract with the shipper or consignee.

The resulting interline freight settlements, whether in respect of domestic or international transportation, are considered payments for the freight transportation services supplied to each other and are therefore zero-rated. These supplies, deemed to be supplies of transportation services between carriers, are zero-rated. Only the carrier that bills the freight transportation service to the shipper or consignee is required to charge and collect GST and QST.

International freight forwarders

Freight-forwarding services are zero-rated where the forwarder acts as the agent of a person that is not resident in Canada (in Québec, for QST purposes) and is not a registrant at the time the service is supplied. However, the service must relate to the supply to that non-resident person of a zero-rated freight transportation service described above.

9. In this table "GST" means the GST only, not the GST/HST.

10. 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.

QST RULES

ITR restrictions for large businesses

Every registrant must determine whether it is an SMB (a small or medium-sized business) or a large business for each fiscal period. A registrant is generally considered to be a large business for a particular fiscal period if the value of the taxable sales made in Canada by the registrant and the registrant's associates exceeded $10 million during the last fiscal period that ended before the particular fiscal period. If the last fiscal period is shorter than 365 days, the value of the taxable sales for the last fiscal period must be adjusted on the basis of a one-year period.

The value of the taxable sales made in Canada includes the following:

- the value of all exports;
- taxable sales deemed to have been made outside Canada; and
- taxable sales deemed to have been made for nil consideration.

The value of the taxable sales made in Canada does **not** include:

- GST;
- amounts from the sale of immovables that are capital property; or
- amounts from the sale of the goodwill of a business on which no QST is payable.

The restrictions do not apply to SMBs.

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

- road vehicles weighing less than 3,000 kilograms that must be registered under the *Highway Safety Code* to be driven on public roads;
- the property and services relating to such vehicles, where the property or services are acquired in Québec (or brought into Québec) within 12 months following the date on which the vehicle is acquired or brought into Québec;
- fuel, **other than fuel oil**, used to supply the engine of such vehicles;
- electricity, gas, steam or combustibles, except when used to produce movable property intended for sale;
- telephone services and other telecommunications services, **with the exception** of Internet access service and "1 800," "1 888" and similar services; or
- food, beverages and entertainment that are only 50% deductible under the *Taxation Act*.

Phasing out of ITR restrictions

The ITR restrictions for large businesses are being phased out effective January 1, 2018.

Large business can claim ITRs for property and services to which the restrictions apply at a rate of:

- 25% for 2018;
- 50% for 2019;
- 75% for 2020;
- 100% for 2021 and subsequent years.

As of January 1 for each of these years, the QST that is paid or becomes payable on acquisitions of property and services to which the restrictions apply can be included in the calculation of a large business's ITR, at the applicable rate for the year in question.

For more information about the phasing out of ITR restrictions, see our website at revenuquebec.ca.

Acquisition of road vehicles weighing 3,000 kilograms or more

Interprovincial and international freight transportation 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 applies to all interprovincial carriers, regardless of the number of vehicles used for road transport; it also applies to broker drivers hired by an interprovincial motor carrier, regardless of the carrier's status. This rule also applies to such vehicles when they are leased by an interprovincial carrier for a period of more than 30 days.

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 prorated based on the number of kilometres travelled in each province.

Carriers must calculate and remit the taxes themselves, or pay them at the time of registration. However, if a vehicle is acquired in a province other than Québec, QST does not need to be paid in proportion to the number of kilometres travelled in Québec.

Acquisition of road vehicles weighing less than 3,000 kilograms

The usual rules apply when a vehicle weighing less than 3,000 kilograms is acquired in Québec by an SMB: the SMB must pay QST, but is generally entitled to an ITR (provided it is a registrant).

When a vehicle weighing less than 3,000 kilograms is acquired in Québec by an **interprovincial** carrier that is a large business, the carrier must pay QST, in addition to the prescribed taxes in each of the provinces it serves. These taxes are prorated based on the number of kilometres travelled in each province. In respect of the QST, however, the carrier can claim a rebate proportionate to the number of kilometres travelled in the other provinces. Carriers must register their vehicles with the competent authorities in the provinces that are members of the International Registration Plan.

When a vehicle weighing less than 3,000 kilograms is acquired in a province other than Québec, the prescribed provincial taxes are prorated based on the number of kilometres travelled in each province in which the vehicle is used. Large businesses, unlike SMBs, are responsible for calculating and remitting QST with respect to the kilometres travelled in Québec.

When a road vehicle weighing less than 3,000 kilograms is acquired in Québec by a large **international** carrier that is a large business, the carrier must pay QST, but can claim 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.

RULES FOR BROKER DRIVERS UNDER CONTRACT WITH 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

A broker driver under contract with an interprovincial carrier operating more than 10 vehicles has to pay QST on the purchase of a vehicle in Québec. When the vehicle is purchased in another province, the driver must calculate the QST on the purchase and remit the tax to us. The amount of tax must be prorated based on the number of kilometres travelled in each province in which the vehicle is used.

This means that a motor carrier under contract with such a broker driver cannot reduce the amount of QST that must be remitted by any amount the broker driver remits as QST. The motor carrier can, however, obtain and keep proof that the tax was paid by the broker driver. Such proof may be requested in an audit.

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 broker driver is often required to reimburse the carrier for fuel and insurance expenses. The following sections explain how the GST and the QST apply to such expenses, as well as to administrative expenses.

Fuel expenses

The carrier must collect GST and QST from the broker driver on the amount of fuel expenses that the broker driver reimburses to the carrier, except in the case of fuel purchased from retailers outside Canada (outside Québec, for QST purposes).

Insurance expenses

The broker driver generally 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 on the portion of the insurance expenses the carrier bills to the broker driver.

Administration expenses

The carrier must collect GST and QST on administration expenses that the carrier bills to the broker driver.

TO CONTACT US

Online

revenuquebec.ca

By telephone

Individuals and individuals in business

Monday to Friday: 8:30 a.m. to 4:30 p.m.

Québec City	Montréal	Elsewhere
418 659-6299	**514 864-6299**	**1 800 267-6299** (toll-free)

Businesses, employers and agents for consumption taxes

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

Québec City	Montréal	Elsewhere
418 659-4692	**514 873-4692**	**1 800 567-4692** (toll-free)

Complaints – Bureau de la protection des droits de la clientèle

Monday to Friday: 8:30 a.m. to noon and 1:00 p.m. to 4:30 p.m.

Québec City	Elsewhere
418 652-6159	**1 800 827-6159** (toll-free)

Individuals with a hearing impairment

Montréal	Elsewhere
514 873-4455	**1 800 361-3795** (toll-free)

By mail

Individuals and individuals in business

Montréal, Laval, Laurentides, Lanaudière and Montérégie
Direction principale des relations
avec la clientèle des particuliers
Revenu Québec
C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

Québec City and other regions
Direction principale des relations
avec la clientèle des particuliers
Revenu Québec
3800, rue de Marly
Québec (Québec) G1X 4A5

Businesses, employers and agents for consumption taxes

Montréal, Laval, Laurentides, Lanaudière, Montérégie, Estrie and Outaouais
Direction principale des relations
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Complaints – Bureau de la protection des droits de la clientèle

Revenu Québec
3800, rue de Marly, secteur 3-4-5
Québec (Québec) G1X 4A5

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