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# GENERAL INFORMATION CONCERNING THE QST AND THE GST/HST

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**AS A PERSON WHO OPERATES  
A BUSINESS IN QUÉBEC,  
YOU PLAY A KEY ROLE IN  
QUÉBEC'S ECONOMY.  
THIS GUIDE WILL HELP YOU  
CALCULATE, COLLECT AND  
REMIT CONSUMPTION TAXES.**

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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 provides the information you need to apply the GST/HST and the QST. It contains general information on how to calculate, collect and remit the taxes. It also discusses a variety of related subjects, such as the application of the taxes to various transactions, the use of coupons, meal and entertainment expenses, sales to foreign representatives or officers, and GST/HST and QST rebates and refunds.

This document is designed for easy reference and intended to be as complete as possible. However, it does not describe certain exceptional situations that concern only a small number of persons. If you require additional information, contact us at one of the numbers listed at the end.

To find information quickly, consult the table of contents.

## Abbreviations used in this guide

CCA	Capital cost allowance	ITC	Input tax credit
CRA	Canada Revenue Agency	ITR	Input tax refund
FMV	Fair market value	NPO	Non-profit organization
GST	Goods and services tax	QST	Québec sales tax
HST	Harmonized sales tax	SMB	Small or medium-sized business



# GLOSSARY

The terms below are used frequently in this document. Their definitions are based largely on those provided in the *Excise Tax Act* and the *Act respecting the Québec sales tax*.

## Basic tax content

The GST or QST that a person was required to pay on the last acquisition of property and any improvements made thereto, after deducting any amount (other than ITCs or ITRs) that the person is entitled to recover by rebate, remission or otherwise, and taking into account any depreciation. The depreciation factor is generally calculated by **dividing** the FMV of the property at the time of the change in use by the total cost of the property (excluding GST or QST) and, if applicable, the improvements made to the property since it was last acquired. (This fraction cannot be greater than 1.)

## Charity

A registered charity or a registered Canadian amateur athletic association within the meaning assigned by the *Income Tax Act* and the *Taxation Act*, excluding a public institution. For GST and QST purposes, a registered charity that is also a school authority, public college, university, hospital authority or local authority with the status of a municipality is not considered a charity but a public institution.

## Commercial activity

Any activity carried out in the course of operating a business, carrying on an adventure, or supplying immovables in order to make taxable sales. The making of exempt sales is not a commercial activity, nor is the carrying on of a business without a reasonable expectation of profit by an individual, a personal trust or a partnership made up solely of individuals.

## Consideration

The value given in exchange on the sale of a good or service. It corresponds to an amount of money or to the FMV of the good or service. It does not include GST or QST.

In this document, we also use the term “amount of money,” since money is the most common form of consideration.

## Fair market value (FMV)

The highest price that can be obtained in an open market where the buyer and the seller are well informed, are dealing at arm’s length, and are not forced to buy or sell.

## NPO

An organization that was organized and is operated solely for a purpose other than profit. No part of an NPO’s income can be payable to, or otherwise available for the personal benefit of, any of its proprietors, members or shareholders. Its income may, however, be paid to a member that is a club or an association whose primary purpose is the promotion of amateur athletics in Canada.

An individual, succession, trust, charity, public institution, municipality or government is not considered an NPO.

## Participating province

A province where the HST applies, namely Prince Edward Island, New Brunswick, Nova Scotia, Ontario and Newfoundland and Labrador.



## Property

Includes real property and personal property, whether tangible or intangible, but does not include money.

The terms used to refer to property for QST purposes are different from those used for GST purposes. In this document, we chose to use the GST terms for ease of understanding. The GST terms and their QST equivalents are listed below.

<b>GST</b>	<b>QST</b>
Real property	Immovable property
Personal property	Movable property
Tangible (personal) property	Corporeal (movable) property
Intangible (personal) property	Incorporeal (movable) property

Examples of tangible property include desks, computers, cash registers, spare parts, cleaning products and pencils. Examples of intangible property include licences, patents, shares and copyrights.

## Public service bodies

Non-profit organizations, charities, municipalities, hospital and school authorities, and public colleges and universities.

## Qualifying NPO

An NPO whose income from government funding is at least 40%:

- for the current fiscal year; or
- for the two fiscal years preceding the current fiscal year.

## Registrant

A person that is registered or is required to be registered for the GST and the QST.

## Service

Anything other than property or money. A service does not include supplies made by an employee to an employer in the course of the employee's office or employment.

## Small supplier

A person whose total taxable sales made worldwide (including sales by associates) are \$30,000 or less<sup>1</sup> for a given calendar quarter and for all four calendar quarters immediately preceding it. Total taxable sales do not include sales of capital property (such as immovables or automobiles).

Where total sales for a period comprised of four consecutive calendar quarters exceed the \$30,000 limit, a person generally ceases to be considered a small supplier as of the second calendar month following that period. However, if the \$30,000 limit is exceeded during a single quarter, the person immediately ceases to be considered a small supplier. The person must then collect tax on the sale that causes them to exceed the limit and on all subsequent sales.

Certain persons (such as retail vendors of tobacco products, new tires, and new or used road vehicles, other than road vehicles that are their capital property) must register for the QST even if they are considered small suppliers. A taxi or limousine business that is a small supplier must also register for the QST and the GST/HST. For more information, refer to *Registering with Revenu Québec* (IN-202-V).

1. For public service bodies, the limit is \$50,000. A separate limit also applies to charities and public institutions that are small suppliers. For more information, see *The QST and the GST/HST: How They Apply to Charities* (IN-228-V).



## Supply

The provision of a good or a service in any manner whatsoever, including by way of sale, transfer, barter, exchange, lease or gift.

In this document, we also use the term “sale,” since goods and services are most often supplied by way of sale.



# GENERAL INFORMATION

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## Administering the GST/HST in Québec

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Under an agreement between the federal and Québec governments, Revenu Québec administers the GST/HST in Québec. Accordingly, we receive and process applications for registration under the GST/HST system from all persons carrying on commercial activities in Québec. Once registered, these persons continue to deal with us for all GST- and HST-related matters (including returns, remittances, rebate applications, audits, investigations, interpretation of laws and regulations, notices of objection, tax collection, and unfiled returns).

The federal-provincial agreement does not affect the federal government's responsibility regarding the GST/HST. The CRA ensures the GST/HST is applied consistently across Canada. In Québec, we are fully responsible for administering the GST/HST in accordance with the rules established by the federal government.

On January 1, 2013, the CRA began administering the GST/HST and QST applicable to selected listed financial institutions (SLFI), which are listed financial institutions with permanent establishments in both Québec and another province.

Whether you are registered for the GST/HST and QST or not, you can learn more about these taxes by contacting our client services. For more information, see "Services offered by Revenu Québec" on page 95.

Québec businesses that are registered for the GST/HST must collect the HST on sales they make in participating provinces (Prince Edward Island, New Brunswick, Nova Scotia, Ontario and Newfoundland and Labrador). However, the term "HST" is not systematically used throughout this document. Unless otherwise specified, the term "GST" is used to mean "GST/HST."



## The GST and QST systems

### Basic rules

GST<sup>2</sup> and QST are collected on the supply of most goods and services. Most transactions conducted in Canada are GST-taxable at the rate of 5% of the sale price. Transactions conducted in Québec are subject not only to GST, but also to QST at the rate of 9.975% of the sale price. Certain goods and services are zero-rated, which means that they are subject to GST and QST at the rate of 0% (see the next section). A small number of goods and services are tax-exempt, which means they are subject to neither GST nor QST (see the next section).

#### Example

You sell a pair of shoes priced at \$100. The taxes are calculated as follows:

Sale price		\$100.00
GST <sup>2</sup> (\$100 × 5%)	+	\$5.00
QST (\$100 × 9.975%)	+	\$9.98
<b>Total</b>		<b>\$114.98</b>

The HST applies in the participating provinces (Prince Edward Island, New Brunswick, Nova Scotia, Ontario and Newfoundland and Labrador). Generally speaking, the basic GST<sup>2</sup> rules also apply to the HST. The applicable HST rates in each participating province are listed under “Sales made in a participating province” on page 61.

Registrant businesses must collect and remit the HST on any taxable sales (excluding zero-rated sales) that they make in the participating provinces. If you do business in one of these provinces, refer to “Sales made in a participating province” on page 61.

The GST and QST are generally collected at each stage in the production and marketing of goods and services. Persons that carry on a commercial activity are required, in most cases, to register for both the GST and the QST.

As a registrant, you must collect GST and QST on your taxable sales (excluding zero-rated sales), but you may also 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 under the GST system and an ITR under the QST system. For example, if you buy office equipment for your business, you can claim an ITC and an ITR to recover the taxes you pay on the equipment.

You must file GST and QST returns with Revenu Québec to report the taxes you collect (or are required to collect), as well as the amounts that you paid and are claiming as ITCs and ITRs. We assign you a filing frequency at the time of registration, usually on the basis of your (and your associates’) total annual taxable sales made in Canada. Whether monthly, quarterly or annual, the filing frequency is generally the same for the GST and the QST; in certain cases, however, you may have different filing frequencies.

When completing your returns, you must subtract your ITCs from the GST you collected (or were required to collect) and your ITRs from the QST you collected (or were required to collect). Any tax you collected (or were required to collect) on a supply is considered to have been collected, regardless of whether or not your customer has paid it. If the amount of tax you collected (or were required to collect) is greater than the amount of your ITCs and ITRs, you must remit the difference to us. If the amount of tax you collected (or were required to collect) is less than the amount of your ITCs and ITRs, you are entitled to a refund. You must file a return even if you have no remittance to make.

2. In this paragraph, GST does not mean the HST.



Certain registrants **must** file their GST and QST returns electronically. For more information, refer to “GST and QST returns” on page 45.

If you are a small supplier, you are generally not required to register for the GST and the QST. You do not have to collect and remit taxes, even if you make taxable sales (excluding sales of capital property). However, if you are not registered, you cannot claim ITCs and ITRs to recover the GST and QST you pay on your business purchases. Should you choose to register for the GST and QST, you must register for both taxes for a period of at least one year. You will then be required to collect the taxes on all your taxable sales (excluding zero-rated sales) and remit them to Revenu Québec, minus any ITCs and ITRs to which you may be entitled.

## Types of supplies

There are three types of supplies: taxable, zero-rated and exempt. To determine whether you must collect GST and QST, or whether or not you can claim an ITC and an ITR, you must know the type of supply being made for each transaction you carry out.

The supply of a good or service (including zero-rated supplies) is said to be a **taxable supply** if it is subject to GST or QST and is made in the course of commercial activities. GST<sup>3</sup> at the rate of 5% and QST at the rate of 9.975% apply to the price of the supply, unless the supply is exempt or zero-rated (taxable at the rate of 0%). Registrants that acquire taxable goods or services in the course of their commercial activities may be entitled to an ITC or an ITR.

Supplies that are subject to 5% GST<sup>3</sup> and 9.975% QST include the following:

- tools sold to a business that specializes in small engine repair, as well as lawnmowers sold by the business;
- moulds sold to a bakery, as well as chocolates sold by the bakery;
- computers sold to a law firm, as well as legal services provided by the firm;
- sales of new residential complexes;
- sales and rentals of commercial buildings;
- retail automobile sales and automobile rentals;
- sales of gasoline and automobile repair services;
- sales of soft drinks, candy and potato chips;
- sales of clothing and footwear;
- the rental of hotel accommodations for a night;
- the provision of barber and hairstylist services;
- sales of printed books that have an International Standard Book Number (ISBN) (the sales are subject only to 5% GST).

You are not required to collect GST or QST on the **zero-rated supplies** you make, since these supplies are taxable at the rate of 0% under both the GST and the QST systems. For the same reason, you are not entitled to ITCs or ITRs if you acquire zero-rated goods or services. However, you may be entitled to ITCs or ITRs if you acquire taxable goods or services in order to make zero-rated supplies.

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3. In this paragraph, GST does not mean the HST.



Zero-rated supplies include the following:

- sales of certain prescription drugs;
- sales of certain medical devices;
- sales of basic groceries;
- sales of certain property used in the farming and fishing sectors;
- sales of certain goods that are marketed exclusively for feminine hygiene purposes;
- sales of certain goods or services exported outside Canada (or outside Québec, for QST purposes);
- the provision of certain passenger or freight transportation services;
- sales of printed books identified by an International Standard Book Number (ISBN) (such supplies are zero-rated only under the QST system).

You are not required to collect or pay GST or QST on **exempt supplies** of goods and services because the supplies are not subject to the taxes. In addition, you cannot claim ITCs or ITRs with respect to taxable purchases made in order to make exempt supplies. However, certain public service bodies, regardless of whether or not they are registrants, can claim tax rebates with respect to taxable goods and services acquired to make exempt supplies. Note that exempt supplies are not taken into account in determining whether or not a person must register for the GST and QST.

Exempt supplies include the following:

- sales of most residential complexes that are not new;
- the lease of a dwelling for one or more months;
- the provision of most health, education, childcare and legal-aid services;
- the provision of certain services by public sector bodies (that is, governments and public service bodies);
- the provision of most financial services.

## Place of supply

GST applies to the sale price of most transactions carried out in Canada. Likewise, QST applies to most transactions carried out in Québec. The place of supply determines whether GST (or HST) and QST is applicable. In the sections that follow, both GST and QST rules apply to supplies made in Québec, since they are also made in Canada. Cases where GST rules differ are specified.

## Sales of tangible personal property

The sale of tangible personal property by a supplier is considered to be made in Québec if the property is delivered or made available to the purchaser in Québec. The property can be made available by mail, courier service or a common carrier hired by the supplier on behalf of the purchaser.



## Examples

- A GST and QST registrant operates a sawmill in Québec. It sells lumber to a furniture manufacturer in Québec. The sales contract specifies that the delivery is “FCA<sup>4</sup> purchaser’s plant.” The sawmill must collect GST<sup>5</sup> and QST because the lumber is delivered in Québec. However, if the sawmill sells lumber under the same conditions to a purchaser with a plant in the United States, it is not required to collect the taxes since the lumber is delivered in the United States and the supply is therefore considered to be made outside Canada.
- The same Québec sawmill sells lumber to a furniture manufacturer in Manitoba. The sales contract specifies that the delivery is “FCA supplier’s plant.” The furniture manufacturer comes to pick up the lumber in Québec or hires a common carrier to deliver the lumber in Manitoba. The sale is considered made in Québec because the lumber is made available to the purchaser in Québec. The sawmill must therefore collect GST at the rate of 5%, but is not required to collect QST. Under the QST system, the sale of lumber is zero-rated for the following reasons:
  - The purchaser intends to ship the lumber outside Québec, and does so within a reasonable time after the lumber is delivered by the sawmill.
  - The lumber was not acquired for consumption, use or supply in Québec.
  - The lumber was not processed, transformed or altered in Québec before being shipped outside the province.
  - The sawmill has satisfactory proof that the purchaser shipped the lumber outside Québec.
- A business situated in Québec is registered for the GST and the QST, and sells CDs to customers throughout Canada. It must collect GST and QST on orders mailed within Québec, 13% HST on orders mailed to Ontario and 15% HST on orders mailed to the other participating provinces. It must also collect 5% GST on orders mailed elsewhere in Canada.

## Lease of tangible personal property

The lease of tangible personal property for a period of three months or less is considered to be carried out in Québec if the supplier delivers the property or makes it available to the lessee in Québec. The property can be made available by sending it by mail, courier or common carrier retained by the supplier on behalf of the recipient.

The lease of tangible personal property for a period of more than three months is treated as a series of separate transactions. Each transaction corresponds to a lease period to which a payment is attributable. If the usual location of the tangible personal property is in Québec, the lease is considered to be carried out in Québec. The supplier and the lessee must determine the location at the start of each lease period.

### NOTE

If the leased property is a road vehicle registered in Québec, the lease is considered to be carried out in Québec.

The lease of property for a given lease period is considered to be carried out on the earliest of the following dates:

- the first day of the period;
- the day the payment attributable to the period is due; or
- the day the payment attributable to the period is made.

4. “FCA” means “free carrier” and indicates the place where the merchandise becomes the purchaser’s property.

5. In the examples, GST does not mean the HST.



### Example

A leasing business leases a generator for a four-year period to a construction company operating in Québec. The generator is usually stored and maintained in Québec. During the second month of the lease, the construction company expands its operations to Ontario and relocates the generator to Ontario. The first two lease payments are subject to GST<sup>6</sup> and QST. The lease payments attributable to the third month and to all subsequent months are subject to HST, provided the generator remains in Ontario.

## Sales of services

As a rule, a service is considered to be performed in Québec if, in the ordinary course of the supplier's business, the supplier obtains an address of the purchaser that is in Québec and is:

- the home address or the business address of the purchaser in Canada, if the supplier obtains only one address;
- the address most closely connected with the service, if the supplier obtains multiple home addresses of the purchaser and the business address of the purchaser in Canada; or
- the address of the purchaser in Canada that is most closely connected with the service, if the supplier obtains neither the home address nor the business address of the purchaser in Canada.

If the supplier does not obtain the purchaser's address in Canada, the service is also considered to be performed in Québec if the part of the service performed in Canada is performed primarily (more than 50%) in Québec.

A service is not considered to be performed in Québec if it is performed entirely outside Canada, even if the purchaser has one or more home or business addresses in Québec.

### Examples

A registrant whose business is situated in Ontario is hired to design the website of a business in Québec. The service is performed entirely in Ontario. In the ordinary course of its business, the supplier obtains only one address of the purchaser, and the address is in Québec. Since the supplier obtained only one address of the purchaser (an address in Québec), the place of supply is in Québec and GST<sup>6</sup> and QST therefore apply to the sale of the website design service.

A registrant whose business is situated in Québec provides translation services online. She receives documents from her clients and sends them the translations by email. The supplier does not obtain the addresses of her customers. Since the service is performed primarily in Québec (more than 50%), the place of supply is in Québec and GST and QST apply to her sales of translation services.

### NOTE

Special rules apply to transportation services, telecommunications services, postal services and any services relating to real property or personal property.

## Sales of intangible personal property

In general, the sale of intangible personal property is considered to be made in Québec if the part of the property that can be used in Canada can only be used primarily (more than 50%) in Québec. The sale of intangible personal property is considered to be made outside Québec if the part of the property that can be used in Canada can only be used primarily outside Québec.



In all other cases, the sale of intangible personal property that can be used in Québec is considered to be made in Québec if the value of the property is \$300 or less and the sale is made from a permanent establishment of the supplier situated in Québec to an individual that is the purchaser or is acting on behalf of the purchaser. In addition, the sale of intangible personal property that can be used in Québec is considered to be made in Québec if the supplier obtains an address of the purchaser in Québec that is one of the following:

- the home address or the business address of the purchaser in Canada, if the supplier obtains only one address;
- the address most closely connected with the supply, if the supplier obtains multiple home addresses of the purchaser or the business address of the purchaser in Canada; or
- the address of the purchaser in Canada that is most closely connected with the supply, if the supplier obtains neither the home address nor the business address of the purchaser in Canada.

Special rules provide that the sale of intangible personal property relating to real property is considered to be made in Québec if the real property is situated in Québec. Likewise, the sale of intangible personal property relating to tangible personal property is considered to be made in Québec if the tangible personal property is situated in Québec.

### Examples

- A Québec registrant licences software to a Québec business for use by the employees of the head office situated in Québec. The software is downloaded online. The licence stipulates that the software can be used only in the business's head office. The sale of the property is considered to be made in Québec because the part of the property that can be used in Canada can only be used primarily (more than 50%) in Québec.
- The same Québec registrant licences software to a Québec business for \$500. The software will be used by the employees of the business's offices in Québec and New Brunswick. The software is downloaded online. The licence stipulates that the software can be used only in the offices in Québec and New Brunswick. In the ordinary course of its business, the registrant obtains only one address of the business (the address of the office in Québec) and uses that address for billing. The supply is considered to be made in Québec because the part of the property that can be used in Canada is not only for use primarily in a specific province and the supplier obtained only one address of the purchaser (the address of the office in Québec).

### Other sales

Special rules apply to sales of real property (and services related to real property), passenger and freight transportation services, and telecommunications services. If you are a GST and QST registrant resident in Québec, call us at one of the numbers listed at the end of this document.

For more information, consult the current version of interpretation bulletin TVQ. 22.7-1, *Place of Supply in the Case of a Supply by Way of Sale of Corporeal Movable Property*.

For more information about online transactions, consult GST/HST Technical Information Bulletin B-090, *GST/HST and Electronic Commerce*. The bulletin is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).



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## Guidelines for business advertising

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Businesses must avoid giving customers the false impression that their purchases are not subject to tax.

Listed below are examples of recommended and prohibited ways to refer to taxes in advertising that will help you better understand your responsibilities.

**Recommended** wordings include the following:

- Taxes included
- Including taxes
- GST<sup>7</sup> and QST not included
- Taxes not included

**Prohibited** wordings include the following:

- No GST or QST
- No sales tax
- No taxes
- Tax-free
- Tax-free day



# COLLECTING GST AND QST

Registrants are required to collect the GST and QST on taxable sales (excluding zero-rated sales). As a rule, vendors of taxable goods or services are responsible for billing and collecting the GST and QST and for remitting any amount of tax collected to us. If you have chosen not to register for the GST and QST because you are a small supplier, you are not required to collect the taxes, except on certain sales of taxable real property.

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## Showing and calculating the taxes

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When you make a taxable sale (excluding zero-rated sales), you must advise the recipient of the good or service that the sale is subject to GST and QST. You can do this by showing the amount of the taxes on the cash register receipt, invoice or sales contract, or by posting signs in your store that clearly state that the taxes are included in your prices. Whatever means you choose, you must ensure that the GST and QST are either shown separately from the price or included in it.

The rate you use for calculating the taxes will depend on your cash register:

- You must use the 9.975% rate to calculate the QST if your cash register calculates the GST<sup>8</sup> and QST in **two steps**, that is, if it calculates 5% GST on the sale price, then also calculates the QST on the sale price. This rate may be rounded off to 9.97% **only** if your cash register cannot process three-decimal numbers.
- You must use the 14.975% rate to calculate the GST and QST if your cash register calculates the GST and QST in **one step**, that is, if it uses a single rate to calculate the GST and QST on the sale price. This rate may be rounded off to 14.97% **only** if your cash register does not process three-decimal numbers.

The 9.97%, 14.97% and 14.975% rates must not appear on the document attesting to the sale.

Only fractions equal to or greater than one-half of a cent (\$0.005) must be rounded to a whole cent (\$0.01). If more than one good or service is being sold, you can calculate the GST and QST on the total price of all the goods or services purchased before rounding off the fractions.

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8. In this paragraph and in the next paragraph, GST does not mean the HST.



## Preparing invoices

For information about the special mandatory billing requirement and tax measures imposed on restaurant establishments, see *Mandatory Billing Information: Bars and Restaurants* (IN-575-V). No special invoices or rules are otherwise imposed under the GST and QST systems. However, as a registrant, your purchase invoices and other supporting documents (such as a written agreement or receipt) must provide specific information to justify your ITCs or ITRs. This information must be shown on one or more supporting documents according to the total value of the goods or services you purchased. Your supplier must provide you with this information in writing upon request. Your customers that are registrants may also request that information from you.

### NOTE

If a customer has a bill totalling \$150 or more and requires a copy of it for ITC or ITR purposes, the customer may ask a restaurant establishment that is required to produce bills using a sales recording module (SRM) to provide a copy of the bill. The establishment can then give the customer the bill produced using the SRM as well as an additional document showing the customer's name. That document must refer to the bill.

<b>Justification of ITCs and ITRs by a registrant</b>			
Required information	<b>Total value of the sale (including taxes)</b>		
	Less than \$30	\$30 to \$149.99	\$150 or more
Supplier's name or business name, or the name of an intermediary <sup>1</sup>	X	X	X
Date of invoice or, if there is no invoice, the date on which the GST or QST were paid or payable	X	X	X
Total amount of invoice	X	X	X
Amount of applicable tax <sup>2</sup>	X (QST only)	X	X
Supplier's GST and QST registration numbers		X	X
Purchaser's name or business name, or name of its agent or authorized representative			X
Terms of payment			X
Description of property or service	X (QST only)	X (QST only)	X
<ol style="list-style-type: none"> <li>1. An intermediary is a registrant that makes supplies on behalf of a supplier for which it is the agent or with whom the intermediary has entered into an agreement, or that facilitates the making of the supply.</li> <li>2. In this note, GST does not mean the HST. Where the amount of tax includes both the GST and QST, enter this amount for each taxable supply and specify that the GST and QST are included in the amount.</li> </ol>			



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## When to collect GST and QST

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The GST and QST must be collected either on the date an amount of money is paid or on the date it is due, whichever comes first. An amount of money is deemed paid when you receive it. An amount of money is deemed due, in whole or in part, on the earliest of the following dates:

- the date on which the invoice is first issued;
- the date given on the invoice;
- the date on which the invoice would have been issued had it not been for an undue delay;
- the due date given in a written agreement.

The following specific rules stem from this general rule.

### Motor vehicle sold in the course of your commercial activities

If you make a retail sale of a motor vehicle, the QST is payable to the Société de l'assurance automobile du Québec (SAAQ) when the vehicle is registered. However, if the vehicle is not registered within 15 days following its delivery to the purchaser, the QST is payable when the vehicle is delivered.

### Payment made in instalments

The taxes on each instalment must generally be paid on the date the instalment is made or on the date it is due, whichever comes first. However, when tangible personal property is sold and ownership or possession is transferred to the purchaser before payment in full, the taxes on instalments not yet made must be collected no later than the last day of the month following the month of the transfer.

#### NOTE

The first rule does not apply to deposits. See "Deposits and returned goods" on page 52.

### Vending machine

The taxes are deemed to have been collected on the date the money is removed from the machine.

### Rental property

The taxes are payable no later than the date on which the lessee is required to pay the rent under the written contract.

### Construction contracts

A portion of a construction contract payment is often withheld as security until the transaction is completed in accordance with a federal or provincial law, or a written agreement relating to the construction, renovation, alteration or repair of a building, boat or other sea-going vessel. In this case, the GST and QST must be collected on the date this amount is withheld or on the date it is due, whichever comes first.



### Conditional sales and instalment sales

Conditional sales are sales that are subject to one or more conditions. Sales made on a trial basis (that is, sales that become final only after possession on a trial basis has yielded conclusive results) are the most common type of conditional sale. An instalment sale is where possession of the property is transferred to the purchaser but ownership of the property is transferred only after all instalments for the total sale price have been paid. In all conditional and instalment sales, the GST and QST are payable, on any amount that has not already been paid or become payable, on the last day of the month following the month in which ownership or possession of the property is transferred to the recipient.

For more information concerning the collection of the GST and QST, refer to “Special cases” on page 50.

#### NOTE

Any amount of GST or QST you collect is deemed to be held in trust.



# CALCULATING ITCs AND ITRs

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## General rules

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Registrants can generally recover the GST and QST paid or payable on taxable goods and services by claiming input tax credits (ITCs) and input tax refunds (ITRs).

ITCs and ITRs can be claimed for goods and services that are business inputs such as office furniture, computer systems, accountants' fees, taxi fares, machine-repair costs, promotional items, tools, and other goods or services used or consumed in the course of your commercial activities.

However, the making of exempt supplies, such as the supply of a long-term lease respecting a residential complex, is not a commercial activity. Consequently, you cannot recover the GST and QST paid on goods and services acquired in the course of such an activity.

The following items do not give entitlement to ITCs or ITRs because they are not subject to GST or QST:

- salaries and wages;
- interest and dividends;
- insurance premiums;
- municipal taxes, provincial taxes (other than the QST) and federal taxes (other than the GST);
- most charges, fines and contributions.

In addition, you cannot claim ITCs or ITRs in respect of goods and services acquired for personal use. Nor can you claim ITCs and ITRs with respect to membership fees or dues paid to an association whose main purpose is to provide recreational, dining or sporting facilities (including fitness clubs, golf clubs, and hunting and fishing clubs), unless you pay the fees or dues for the purpose of selling the membership because your commercial activity consists in supplying such memberships.

To be entitled to ITCs or ITRs, you must be a registrant during the reporting period in which the taxes on the goods or services concerned are paid or become payable.



To determine whether the goods or services you acquire entitle you to ITCs and ITRs, ask yourself the following questions:

**Am I required to pay GST and QST on the good or service?**

If no tax is payable, you cannot claim an ITC or an ITR.

**Is the good or service intended for consumption, use or supply in the course of a commercial activity?**

If the answer is yes, you can claim an ITC or an ITR. Goods and services that are consumed, used or supplied in part in the course of a commercial activity generally give entitlement to an ITC or an ITR in proportion to their commercial use.

**Was I a registrant during the reporting period in which I acquired the good or service?**

If the answer is yes, you can generally claim an ITC or an ITR.

**Rebates for public service bodies**

Under the GST and QST systems, goods and services that are acquired by certain public service bodies and that do not give entitlement to ITCs or ITRs may nonetheless give entitlement to GST or QST rebates for public service bodies. The table below gives the rebate rates for each type of organization.

Type of public service body	Rebate rate effective January 1, 2015	
	GST <sup>1</sup>	QST
Municipalities	100%	50%
School authorities	68%	47%
Universities and public colleges	67%	47%
Hospital authorities, facility operators and external suppliers <sup>2</sup>	83%	51.5%
Charities or qualifying NPOs (other than selected public service bodies <sup>3</sup> )	50%	50%

1. In this table, GST does not mean the HST.  
2. A “facility operator” is a charity, public institution or qualifying NPO (other than a hospital authority) that operates an establishment offering care similar to that offered by a hospital authority. An “external supplier” is a charity, public institution or qualifying NPO (other than a hospital authority or a facility operator) that makes ancillary supplies, facility supplies or home medical supplies.  
3. A “selected public service body” is a municipality, a hospital authority, a facility operator, an external supplier, or a school authority, public college or university that is established and operated otherwise than for profit.

Public service bodies that paid HST in the participating provinces may be entitled to a full or partial rebate of the federal component of the HST (portion corresponding to the GST).<sup>9</sup>

A QST rebate must be claimed by filing form VDZ-387-V, *Application for a QST Rebate for Public Service Bodies*. GST and HST rebates must be claimed by filing form FPZ-66-V, *GST/HST Rebate Application for Public Service Bodies*.

For more information, refer to the *Guide to the GST/HST Rebate Application for Public Service Bodies* (FP-66.G-V).

9. In this paragraph, GST does not mean the HST.



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## Restrictions on ITRs for large businesses

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As a registrant, you must determine whether you are an SMB or a large business for each fiscal year.

You are generally considered to be a large business for a given fiscal year if your and your associates' taxable sales made in Canada exceeded \$10 million during the last fiscal year that ended before the given fiscal year. If the last fiscal year is shorter than 365 days, the value of the taxable sales for that year must be adjusted on the basis of a one-year period.

Your taxable sales made in Canada must include the value of all exports, including sales deemed to have been made outside Canada. They must also include any sales deemed to have been made for nil consideration pursuant to a joint election made by corporations that are specified members of a group of closely related corporations. However, your taxable sales made in Canada must not include GST, amounts from the sale of real property that is capital property, or amounts from the sale of the goodwill of a business where no QST is payable on the sale.

The following businesses and related persons are always considered large businesses regardless of the value of their taxable sales:

- banks
- trust companies
- credit unions
- insurers
- investment plans

For more information, refer to information bulletin TVQ. 206.1-9, *Qualification as a small or medium-sized business or as a large business*.

The following goods and services do not give entitlement to ITRs if they are acquired by a large business:

- road vehicles under 3,000 kilograms that must be registered under the *Highway Safety Code* to be driven on public roads;
- goods and services relating to such vehicles, where the goods or services are acquired in Québec or brought into Québec within 12 months following the date on which the vehicle was acquired in, 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 personal property intended for sale;
- telephone services and other telecommunications services, **except** Internet access services and "1 800," "1 888" and similar numbers;
- food, beverages and entertainment that are only 50% deductible under the *Taxation Act*.

In general, new registrants do not have to determine whether the taxable sales made during the last fiscal year exceeded \$10 million. In certain circumstances, however, new registrants are required to do so, for example where:

- The business is a corporation resulting from an amalgamation. In such a case, the value of the taxable sales made by each predecessor corporation must be taken into account.
- The business is carried on by a person that does not reside in Québec. In this case, the value of the taxable sales that the person makes elsewhere in Canada must be taken into account.

Where a large business acquires control of an SMB during the SMB's fiscal year, the SMB (and any related corporations) retains its status as an SMB until the end of its current fiscal year, but it (and any related corporations) is considered a large business as of the beginning of the following fiscal year.

A member of a partnership (other than an individual) is deemed to be an SMB or a large business based on whether the partnership itself is an SMB or a large business.



## Phasing out of ITR restrictions

The ITR restrictions for large businesses will be phased out beginning on 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 becomes payable on acquisitions of property and services to which the restrictions apply may 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](http://revenuquebec.ca).

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## How to apply for ITCs and ITRs

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Most registrants claim their ITCs and ITRs when they file their GST and QST returns for the reporting period during which the purchases were made. However, you generally have four years in which to claim your ITCs and ITRs for a given reporting period. This four-year period begins on the filing deadline for the return in which you could have claimed the ITCs and ITRs.

### Example

You are registered for the GST and QST and file your returns on a quarterly basis. You made purchases in the course of your commercial activities in December 2016. You therefore have until January 31, 2021 (that is, the deadline for the return covering the reporting period from October 1 to December 31, 2020) to claim ITCs and ITRs on the purchases you made in December 2016.

The four-year deadline is reduced to two years for listed financial institutions<sup>10</sup> (such as a bank, an insurer or a trust) and for persons whose taxable sales during each of the two fiscal years preceding the fiscal year in question exceeded \$6 million. However, the deadline is four years for charities and businesses if 90% or more of their sales<sup>11</sup> made during either of the two fiscal years prior to the fiscal year in question were taxable sales.

If you elected to use the Quick Method of Accounting, you cannot claim ITCs or ITRs in respect of most of the purchases made in the course of your commercial activities. For more information, refer to "The Quick Method for calculating GST and QST remittances" on page 38.

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10. Unless the corporation is considered a financial institution because it made an election to have certain supplies considered financial services.

11. Sales of financial services are excluded.



If you are a new registrant and were considered a small supplier prior to registering for the GST and QST, you can claim ITCs and ITRs in respect of certain property (such as capital property and inventory) in your possession at the time of registration. For more information, refer to “New registrants” on page 32.

Certain registrants that have claimed ITCs for HST paid or payable in Ontario before July 1, 2018, or in Prince Edward Island before April 1, 2021, may have to recapture the portion pertaining to the provincial component of the HST paid on the purchase of certain goods and services. This measure applies to registrants whose total annual taxable sales exceed \$10 million, as well as to certain financial institutions. For more information, refer to the following:

- GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax - Temporary Recapture of Input Tax Credits in Ontario and British Columbia*;
- GST/HST Info Sheet GI-171, *Phasing out of Recaptured Input Tax Credits in Ontario*;
- GST/HST Info Sheet GI-165, *Prince Edward Island: Transition to the Harmonized Sales Tax - Builders and Recaptured Input Tax Credits*.

The documents are published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

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## Operating expenses

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Operating expenses are expenses incurred by registrants to ensure the normal operation of their business. Examples of such expenses include fixed costs, management expenses, expenses related to other support functions, stationery costs, office rent, equipment rental costs, and utilities. If 90% or more of your operating expenses are incurred in the course of your commercial activities, you are entitled to an ITC of 100% of the GST paid and an ITR of 100% of the QST paid on the expenses.

If you carry on both taxable activities and exempt activities, you must apportion your expenses between the two types of activities. For this purpose, you must choose a fair and reasonable method and use it consistently for at least the duration of the fiscal year. Methods based on the allocation of space, time, cost or revenue may be used under certain conditions.

### Example

You use the ground floor of a building you own to operate a retail store (commercial activity) and the second floor to carry on an exempt activity. Your electricity bill for the entire building is \$700 a month, plus \$35 GST<sup>12</sup> and \$69.83 QST. You determine that 60% of the electricity is used for the retail store and 40% for your exempt activity on the second floor.

You can claim an ITC of \$21 ( $\$35 \times 60\%$ ) and an ITR of \$41.90 ( $\$69.83 \times 60\%$ ) for the portion of the building used in your commercial activities.

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12. In this example, GST does not mean the HST.



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## Capital property

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Capital property is generally capital property as defined for income tax purposes. It includes depreciable property for which capital cost allowance (CCA) can be claimed as well as non-depreciable property whose disposition (by way of sale or otherwise) results in a capital gain or capital loss.

Capital property includes:

- real property such as land or a building; and
- personal property such as machinery used by a business in its commercial activities. Other examples of capital property include refrigerators, ovens and other appliances; photocopy machines and computers; and chairs, tables, sofas, beds and television sets used to furnish hotel rooms, waiting rooms and convention facilities.

For GST purposes, capital property does not include property in class 12 (chinaware, cutlery or other tableware costing less than \$500), class 14 (certain patents, franchises, concessions or licences issued for a limited period), class 44 (a patent or a right to use patented information for a limited or unlimited period) or, effective January 1, 2017, class 14.1 of Schedule II of the *Income Tax Regulations*. You can claim ITCs for this property by following the rules applicable to operating expenses. For QST purposes, capital property does not include property in class 12, 14, 44 or, effective January 1, 2017, class 14.1 of Schedule B of the *Regulation respecting the Taxation Act*.

If you use 90% or more of a real property or more than 50% of a personal property for commercial activities, you can generally claim ITCs and ITRs for the full amount of the GST and QST you paid on the property. The table on the next page provides a checklist of the rules for claiming ITCs and ITRs on capital property. Please note that special rules apply to aircraft and passenger vehicles acquired by registrants that are partnerships or individuals.

If you increase the percentage of commercial use of real property or personal property, you may be entitled to an additional ITC or ITR. If you reduce the percentage, you may have to remit GST and QST.



<b>ITCs and ITRs respecting capital property</b>				
<b>Capital property</b>	<b>Percentage of use in commercial activities</b>	<b>All registrants<sup>1</sup></b>	<b>Individuals who are registrants<sup>2</sup></b>	<b>Public service bodies that are registrants</b>
Personal property	≤ 50%	None	None	None
	> 50%	100%	100%	100%
Real property	≤ 10%	None	None	None
	> 10% to ≤ 50%	% of use	% of use <sup>3</sup>	None <sup>4</sup>
	> 50% to < 90%	% of use	% of use	100% <sup>4</sup>
	≥ 90%	100%	100%	100%
Passenger vehicles <sup>5</sup> and aircraft	≤ 10%	None	None	None
	> 10% to ≤ 50%	None	Based on CCA <sup>6</sup>	None
	> 50% to < 90%	100%	Based on CCA <sup>6</sup>	100%
	≥ 90%	100%	100%	100%

1. Under both the GST and QST systems, financial institutions can claim ITCs and ITRs based on the percentage of the capital property's use in commercial activities.
2. With respect to purchases of passenger vehicles and aircraft, partnerships must follow the rules that apply to individuals.
3. Registrant individuals may not claim ITCs or ITRs if the percentage of use of the capital property for personal purposes is higher than 50%.
4. A public service body may elect to have the rules governing all registrants apply.
5. The portion of the cost of passenger vehicles giving entitlement to an ITC and an ITR is limited to the lesser of the taxes paid on the acquisition or the taxes calculated on \$30,000 (the capital cost threshold under the *Income Tax Act* and the *Taxation Act*.)
6.  $ITC = CCA \times 5/105$ ;  $ITR = CCA \times 9.975/109.975$ .



## Examples

You purchase a building (real property) and plan to use 60% of it in your commercial activities. You can claim an ITC and an ITR equal to 60% of the GST<sup>13</sup> and QST you paid on the building, since less than 90% of the real property is to be used in commercial activities.

Cost of building		\$500,000
GST (\$500,000 × 5%)	+	\$25,000
QST (\$500,000 × 9.975%)	+	\$49,875
Total		\$574,875
ITC claimed (\$25,000 × 60%)		\$15,000
ITR claimed (\$49,875 × 60%)		\$29,925

You purchase a computer (personal property) for your business that you intend to use 60% of the time in your commercial activities. You can claim an ITC and an ITR equal to 100% of the GST and QST you paid on the computer, since the property is to be used more than 50% of the time in your commercial activities.

Cost of computer		\$4,000
GST (\$4,000 × 5%)	+	\$200
QST (\$4,000 × 9.975%)	+	\$399
Total		\$4,599
ITC claimed		\$200
ITR claimed		\$399

## Change in use

Your use of capital property may change over the years. You will have to recover or pay GST and QST for certain changes in use.

### Increased use of capital property in commercial activities

Capital property that you used in a proportion of more than 50% in your exempt activities or for personal use is now used in a proportion of more than 50% in your commercial activities.

You can claim ITCs and ITRs to recover all or a portion of the GST and QST you paid. The ITC or ITR you can claim for such property is equal to the basic tax content of the property at the time of the change in use.



## Decreased use of capital property in commercial activities

Capital property that you used in a proportion of more than 50% in your commercial activities is now used in a proportion of more than 50% in your exempt activities or for personal use.

You must remit all or part of the ITCs and ITRs you claimed. The GST or QST that you must remit for such property is equal to the basic tax content of the property at the time of the change in use.

### Example

In 2016, you bought office furniture that was to be used in a proportion of 60% in your exempt activities. You paid \$1,500 for the furniture, plus \$75 GST<sup>14</sup> and \$149.63 QST. You did not claim ITCs or ITRs because you acquired the furniture to be used in a proportion of 40% in your commercial activities.

In 2017, you began to use the furniture in a proportion of 60% in your commercial activities. The FMV of the furniture was \$1,200 at the time of the change in use.

You can claim an ITC and ITR as follows:

$$\text{ITC} = \$75 \times \$1,200 / \$1,500 = \$60$$

$$\text{ITR} = \$149.63 \times \$1,200 / \$1,500 = \$119.70$$

### NOTE

Special rules apply to capital property that is real property and the capital property of financial institutions.

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## Home office expenses

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You can claim ITCs and ITRs for home office expenses only if the work space in your home:

- is your principal place of business; or
- is used exclusively (90% or more) to earn income from your business and to meet persons on a regular and continuous basis in the course of your commercial activities.

The same criteria are used to calculate an individual's deductible home office expenses for income tax purposes.

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14. In this example, GST does not mean the HST.



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## New registrants

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If you are a small supplier and you decide to register for the GST and QST, you can claim ITCs and ITRs in respect of property you had on hand, immediately prior to registration, for consumption or use in your commercial activities.

As a rule, these ITCs and ITRs are equal to the basic tax content of the property at the time of registration.

If you register for the GST and QST, you can also claim ITCs and ITRs for any GST and QST payable, prior to registration, on services to be provided after registration, as well as on rent, royalties or similar amounts paid in the course of your commercial activities for a period subsequent to your registration.

You can claim these ITCs and ITRs on the first return you file after becoming a registrant.

### **Example**

You prepay 18 months' office rent for the period from January 1, 2017, to June 30, 2018. You register for the GST<sup>15</sup> and QST on March 15, 2017, and can therefore claim an ITC and an ITR for the GST and QST paid on rent for the period subsequent to the date of registration. However, you cannot claim an ITC or ITR for the GST and QST paid on rent from January 1 to March 15, 2017, since the taxes relate to the period prior to your registration.

For more information about ITCs and ITRs, refer to "Special cases" on page 50 and "Simplified method for calculating ITCs and ITRs" on the next page.



# SIMPLIFIED METHOD FOR CALCULATING ITCs AND ITRs

Small businesses and eligible public service bodies can use a simplified method for calculating ITCs and ITRs.<sup>16</sup> This method does not affect the procedures for charging, collecting or reporting GST and QST. The main advantage of using the simplified method is that the exact amount of the taxes for each invoice or supporting document does not have to be calculated. Only the amount of taxable purchases (including GST and QST) for which ITCs and ITRs can be claimed must be taken into account.

To use the simplified method for a given fiscal year, small businesses and public service bodies must meet all of the following requirements:

- They are registrants.
- Their total annual taxable sales (including sales by associates) made worldwide for the previous fiscal year do not exceed \$1 million. Do not include GST or QST, supplies of financial services, or sales of real property or goodwill in calculating total sales.
- If they start using the method in a quarter that is not the first quarter of their fiscal year, their total taxable sales for the previous quarter(s) of the current fiscal year do not exceed \$1 million. Do not include GST or QST.
- They are not a listed financial institution, such as a bank or an insurer.
- Their total taxable purchases (excluding zero-rated purchases) in Canada for the previous fiscal year do not exceed \$4 million, including GST and QST.
- In the case of public service bodies, they must expect that their total taxable purchases (excluding zero-rated purchases) made in the current fiscal year will not exceed \$4 million, including GST and QST.

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16. In this document, the expression “simplified method for calculating ITCs and ITRs” is used to refer to both the streamlined input tax credit method (GST) and the streamlined method for determining input tax refunds (QST).



**To calculate your ITCs and ITRs using the simplified method, follow the instructions below.**

**A**

For the period covered by the return, determine the total amount of your taxable purchases and payments (GST<sup>17</sup> and QST included).

This amount must **include**, where applicable:

- import taxes or duties;
- tips paid, provided they are reasonable;
- expenses incurred for capital property that is personal property (such as office furniture and equipment) that you used more than 50% of the time for your commercial activities, as well as expenses related to improvements made to such property;
- reimbursements for taxable expenses incurred by employees, partners or volunteers;
- the portion of the cost of a good or a service that became payable after the effective date of the election to use the simplified method;
- interest or penalties relating to a late payment for a taxable good or service;
- for purposes of calculating an ITC, the payment of non-refundable provincial sales taxes.

However, **do not include** the following amounts:

- expenses on which you did not pay GST or QST (such as payment of salaries or wages, insurance premiums or interest);
- amounts paid to acquire exempt or zero-rated goods or services;
- imports that are not subject to GST under the GST system, and property brought into Québec that is not subject to QST under the QST system;
- passenger vehicles and aircraft used less than 90% of the time by individuals or partnerships in their commercial activities;
- amounts that were paid or became payable before you began using the simplified method;
- 50% of meal and entertainment expenses (this does not apply to charities and public institutions);
- the portion of the capital cost of a passenger vehicle that exceeds the maximum amount that can be deducted for income tax purposes;
- purchases to supply exempt goods or services;
- goods or services purchased for personal use;
- purchases from non-registrants;
- under the GST system, payments of refundable provincial sales taxes, such as the QST;
- if you are a truck driver, meal expenses for which you cannot claim an ITC or an ITR;
- GST or QST paid on the purchase of real property.



**B**

Determine your total taxable purchases (excluding zero-rated purchases) for which you can claim an ITR under the GST system. Multiply this amount by 9.975/109.975. The result is your ITR for the period.

Next, determine your total taxable purchases (excluding zero-rated purchases) for which you can claim an ITC under the GST system. Subtract the ITR to which you are entitled, and multiply the amount by 5/105. The result is your ITC for the period.

**Example**

Your business incurs the expenses listed below during the fiscal year. These expenses are all taxable except for salaries and wages, and interest.

Salaries and wages		\$200.00
Inventory	+	\$345.08
Rent	+	\$230.05
Stationery	+	\$115.03
Interest	+	\$50.00
Office furniture	+	\$230.05
<b>Total expenses</b>		<b>\$1,170.21</b>
Minus salaries and wages, and interest (\$200 + \$50)	–	\$250.00
<b>Total taxable expenses</b>		<b>\$920.21</b>

The ITR and ITC are calculated as follows:

$$\text{ITR} = \$920.21 \times 9.975/109.975 = \mathbf{\$83.47}$$

$$\text{ITC} = (\$920.21 - \$83.47) \times 5/105 = \mathbf{\$39.84}$$

The simplified method can be used only for goods and services acquired to make taxable sales. Goods and services that are used to make both taxable and exempt sales, or that are partly intended for personal use, give entitlement to an ITC or ITR only for the portion acquired for use in the course of your commercial activities.

**NOTE**

If you made purchases on which you paid the HST, you must follow the same steps to calculate the ITC to which you are entitled. You must make a separate calculation for each HST rate you paid.

If you wish to use the simplified method, you are not required to file any forms, but you must elect to use the method by one of the following deadlines:

- If your filing frequency is annual, your election must be made no later than the first day of the second fiscal quarter of the fiscal year in which the method is to be used. For example, if you wish to use the method in the fiscal year from January 1 to December 31, 2018, you must make the election no later than April 1, 2018.
- If your filing frequency is monthly or quarterly, your election must be made no later than the filing deadline for the first return on which the method is to be used. For example, if you wish to start using the method in the reporting period from January 1 to March 31, 2018, you must make the election no later than April 30, 2018.



Once you have elected to use the simplified method, you must continue to use it for at least one year, unless you cease to meet the requirements at any time in your fiscal year, at which point you must stop using it.

A similar method, called the simplified method for calculating the rebates of public service bodies,<sup>18</sup> can be used by charities, qualifying NPOs and other NPOs. This method does not result in ITCs and ITRs, but in a rebate for public service bodies. Under this method, the total allowable amount is multiplied by 5/105 (for GST<sup>19</sup> purposes) and 9.975/109.975 (for QST purposes), and then by the appropriate rebate rate (refer to the table on page 24).

Registrants that use the Quick Method of Accounting or the Special Quick Method for public service bodies (refer to “The Quick Method for calculating GST and QST remittances” on page 38) can use either the simplified method for calculating ITCs and ITRs or the simplified method for calculating the rebates of public service bodies where the Quick Method rates do not apply.

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18. The expression “simplified method for calculating the rebates of public service bodies” is used to refer to both the prescribed method of calculating rebates (GST) and the streamlined method for determining certain rebates (QST).

19. In this paragraph, GST does not mean the HST.



# CALCULATING NET GST AND QST

For each reporting period, you are required to calculate:

- the tax you collected and the tax you were required to collect (that is, tax billed but not paid) during the reporting period; and
- the tax you paid and the tax you were required to pay during the reporting period and that entitles you to ITCs or ITRs.<sup>20</sup>

If the difference between the results of these two calculations is positive, this is the net tax you must remit to us. If the difference is negative, this is your refund.

To determine the GST and QST that you must collect and remit, as well as the GST and QST that you paid and that entitle you to ITCs and ITRs, you can choose the method that best suits your needs.

Small businesses and public service bodies can use the Quick Method of Accounting to determine the GST and QST to be remitted. Refer to “The Quick Method for calculating GST and QST remittances” on page 38 for more information concerning the Quick Method of Accounting and the Special Quick Method for public service bodies. Refer also to “Simplified method for calculating ITCs and ITRs” on page 33.

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## Determining the GST and QST payable

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To determine the GST and QST payable, use two columns in your sales book to enter the GST and QST that you billed on taxable sales (excluding zero-rated sales) for the reporting period concerned, and two columns in your purchase book to enter the GST and QST that were billed to you during the same reporting period and that entitle you to ITCs and ITRs.

Since the taxes may be included in the total price, it is important that your method allows you to identify the tax amounts. As well, certain sales made to Indians are not subject to tax. For more information, refer to “Sales to Indians” on page 62.

Refer to “When to collect GST and QST” on page 21 to find out when tax is considered paid and when consideration is considered due in the case of leases, vending machines, partial payments, conditional sales, etc.

In addition, when calculating net tax on your return (FPZ-500-V, or FPZ-34-V and VDZ-471-V) for a given period, you must take into account all ITCs and ITRs claimed for the period, including those applicable to previous periods. You may also take into account any amounts that, further to an adjustment, can be deducted in the calculation of your net tax for the period. These amounts generally correspond to the GST and QST you paid or were required to pay.

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20. Special rules apply to charities. For more information, refer to *The QST and the GST/HST: How They Apply to Charities* (IN-228-V).



# THE QUICK METHOD FOR CALCULATING GST AND QST REMITTANCES

The Quick Method<sup>21</sup> is a simplified accounting method designed to help registrants calculate the GST and QST they must remit to us.

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## Who can use the Quick Method?

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Small businesses can use the Quick Method, provided their total annual taxable sales worldwide (including zero-rated sales and sales made by associates) do not exceed \$400,000 (GST included) under the GST system or \$418,952 (QST included) under the QST system.

The following entities cannot use the Quick Method: listed financial institutions; charities; certain NPOs; selected public service bodies; firms that provide legal, accounting or actuarial services; firms that provide fiscal or financial consulting services; and firms that provide bookkeeping services or that specialize in the preparation of tax returns.

To estimate your reduction in the amount of taxes to be remitted if you use the Quick Method, use the calculation tool available on our website at [revenuquebec.ca](http://revenuquebec.ca).

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## How does the Quick Method work?

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Under the Quick Method, you collect GST and QST in the usual manner. However, you do not need to claim ITCs and ITRs for your current operating expenses or purchases made in the course of your commercial activities because the Quick Method takes them into account.

For GST purposes, multiply the total taxable sales (including GST<sup>22</sup>) you made in Canada by 1.8% or 3.6% (as applicable). For QST purposes, multiply the total taxable sales (including QST) you made in Québec by 3.4% or 6.6%. The resulting amounts must then be remitted to us for each reporting period. In calculating your total sales, do not include zero-rated sales, sales of real property and capital property, or sales made to Indians or to a provincial government, which does not pay GST or QST.

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21. The expression “Quick Method” is used instead of “Quick Method of Accounting” and refers to both the quick method (GST) and the quick method for determining the net tax for small businesses (QST).

22. In this sentence, GST does not mean the HST.



You can use the Quick Method regardless of whether you include the GST and QST in your sale prices or whether you list the taxes separately from the price. You are still required to keep all supporting documents concerning purchases and sales.

If you make taxable sales in participating provinces, the rates may vary depending on the location of your business, the province where you made the sales, the nature of those sales and whether or not you charged GST<sup>23</sup> or HST on your taxable sales (excluding zero-rated sales). For more information, refer to the *Quick Method of Accounting for GST/HST* (RC4058), which is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

You are not required to claim ITCs or ITRs for most business expenses (such as heating costs, rent and telephone expenses), given that they are already taken into account. You can, however, claim ITCs and ITRs for land and property (such as a building, a vehicle or office furniture) that give entitlement to capital cost allowance (CCA) for purposes of calculating income tax. You can claim these amounts in your GST and QST returns for the period during which the purchases were made.

The Quick Method rates apply only to sales made in the normal course of your commercial activities. For other transactions, such as the sale of land or of used equipment giving entitlement to CCA, you must remit the full amount of GST and QST you collected or were required to collect.

#### NOTE

The portion of the taxes that is collected but not remitted using the Quick Method must be included in your income for income tax purposes.

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## Applicable rates

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### 1.8% and 3.4% rates

The applicable rates are 1.8% for the GST<sup>23</sup> and 3.4% for the QST in the case of retailers and wholesalers that purchase goods intended for sale, such as grocers, booksellers, tobacco vendors, and owners of convenience stores, boutiques and service stations.

For these rates to be used, the cost of the property purchased for sale or for use in other property intended for sale (other than basic groceries and property on which the registrant is not required to pay the taxes at the time of purchase) must represent at least 40% of the business's total annual taxable sales.

### 3.6% and 6.6% rates

The general rates for businesses that are not entitled to use the 1.8% and 3.4% rates and supply mostly services are 3.6% for the GST<sup>23</sup> and 6.6% for the QST. Such businesses include taxi firms, dry cleaners, delivery services, auto repair shops, fast food outlets and travel agencies. Small manufacturers, caterers, photographers and painting contractors can also use these rates.

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23. In this paragraph, GST does not mean the HST.



## 1% rate reduction

If you use the Quick Method as of the first day of your fiscal year, or as of your GST and QST registration date, you can apply a 1% rate reduction to a portion of your taxable sales (excluding zero-rated sales). For GST purposes, the 1% reduction applies to the first \$30,000 of your taxable sales (including GST) made during each fiscal year. For QST purposes, the 1% reduction applies to the first \$31,421 of your taxable sales (including QST) made during each fiscal year.

If you file monthly or quarterly returns, the 1% reduction applies to your sales made during the first reporting period and during all subsequent reporting periods in the fiscal year, until the fiscal year ends or until the amount of sales reaches \$30,000 (for GST purposes) and \$31,421 (for QST purposes). If you file an annual return, the 1% reduction applies to the first \$30,000 of sales (for GST purposes) and the first \$31,421 of sales (for QST purposes) made during the fiscal year.

If your sales in any fiscal year are under \$30,000 (for GST purposes) and \$31,421 (for QST purposes), the unused amount cannot be carried forward.

### Example

A cleaning business used the Quick Method in 2016. It files quarterly returns. Since its annual taxable sales worldwide were not over \$400,000 (GST<sup>24</sup> included) and \$418,952 (QST included) in 2016, the business can continue to use the Quick Method for 2017. The applicable rates are 3.6% for GST purposes and 6.6% for QST purposes.

First quarter		GST		QST
Taxable sales in the first quarter of 2017 (GST included)		\$21,000.00		
Taxable sales in the first quarter of 2017 (QST included)				\$21,995.00
Applicable rate	×	3.6%	×	6.6%
<b>Subtotal</b>		<b>\$756.00</b>		<b>\$1,451.67</b>
Reduction on the first \$30,000 of taxable sales ( $\$21,000 \times 1\%$ )	–	\$210.00		
Reduction on the first \$31,421 of taxable sales ( $\$21,995 \times 1\%$ )			–	\$219.95
		<b>\$546.00</b>		<b>\$1,231.72</b>
<b>Tax remittances for the first quarter</b>				
Second quarter				
Taxable sales in the second quarter of 2017 (GST included)		\$15,000		
Taxable sales in the second quarter of 2017 (QST included)				\$15,710.71
Applicable rate	×	3.6%	×	6.6%
<b>Subtotal</b>		<b>\$540.00</b>		<b>\$1,036.91</b>
Reduction on the first \$30,000 of taxable sales ( $\$30,000 - \$21,000 \times 1\%$ )	–	\$90.00		
Reduction on the first \$31,421 of taxable sales ( $\$31,421 - \$21,995 \times 1\%$ )			–	\$94.26
		<b>\$450.00</b>		<b>\$942.65</b>
<b>Tax remittances for the second quarter</b>				

24. In this example, GST does not mean the HST.



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## Election to use the Quick Method

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To use the Quick Method, you must complete form FP-2074-V, *Election or Revocation of Election Respecting the Quick Method of Accounting*.

If you have a monthly or quarterly filing frequency, you must file the form with us no later than the deadline for filing your return for the period in which you want to use the method. For example, if you wish to use the method for the reporting period from January 1 to March 31, 2018, you must file the form no later than April 30, 2018.

If you have an annual filing frequency, you must file the form with us no later than the first day of the second quarter of the fiscal year in which you want to use the method. For example, if you wish to use the method for the fiscal year from January 1 to December 31, 2018, you must file the form no later than April 1, 2018.

We will confirm your election in writing. The effective date you entered on the form is the date on which you may begin using the Quick Method; however, that date must correspond to the first day of a GST and QST reporting period. You must use the Quick Method for at least one year.

You do not have to elect to use the Quick Method each year. The election remains in effect as long as your business continues to meet the requirements listed under “Who can use the Quick Method?” on page 38.

The election to use the Quick Method applies to all of your branches and divisions, regardless of whether or not they file separate GST and QST returns. The election ceases to be in effect as soon as you revoke it.



## Special Quick Method for public service bodies

Owing to the special nature of their activities, qualifying non-profit organizations (NPOs) and certain public service bodies can use the Special Quick Method<sup>25</sup> to calculate the GST and QST to be remitted. With this method, you simply multiply the total taxable sales on which you collected (or were required to collect) GST and QST by the prescribed rate for the type of public service body concerned.

To use this method, you must file form FP-2287-V, *Election by a Public Service Body to Use the Special Quick Method of Accounting or Revocation of the Election*.

Type of organization	Prescribed rates	
	GST <sup>1</sup>	QST
Hospital authorities, facility operators and external suppliers <sup>2</sup>	4.5%	7.3%
School authorities	4.4%	7.3%
Municipalities	4.7%	7.3% <sup>3</sup>
Qualifying non-profit organizations and designated charities	3.6%	7.3%
Universities and public colleges	4.1% or 4.4% <sup>4</sup>	7.3%
<ol style="list-style-type: none"> <li>In this table, GST does not mean the HST.</li> <li>A “facility operator” is a charity, public institution or qualifying NPO (other than a hospital authority) that operates an establishment offering care similar to that offered by a hospital authority. An “external supplier” is a charity, public institution or qualifying NPO (other than a hospital authority or a facility operator) that makes ancillary supplies, facility supplies or home medical supplies.</li> <li>This rate took effect on July 1, 2016. It was previously 5.7%.</li> <li>The 4.1% rate must be used where vending machine sales made by a university or college represent at least 25% of the organization’s total sales. Otherwise, the 4.4% rate must be used.</li> </ol>		

If your organization makes sales in participating provinces, see the information concerning the special quick method of accounting for public service bodies at [canada.ca/taxes](http://canada.ca/taxes).

25. The expression “Special Quick Method” is used to refer to both the special quick method for public service bodies (GST) and the quick method of determining the net tax for certain public service bodies (QST).



# FILING YOUR GST AND QST RETURNS

You can complete your GST and QST returns once you have calculated:

- the GST and QST you collected or were required to collect (that is, tax billed but not paid) on your taxable sales (excluding zero-rated sales) during the reporting period; and
- the ITCs and ITRs to which you are entitled for the GST and QST you paid or were required to pay on your purchases during the reporting period.

If the amount of your ITCs and ITRs is greater than the amount of the GST and QST you collected or were required to collect during the same reporting period, the difference is your refund. In the opposite case, the difference is the amount you must remit to us. Whether you have a refund or an amount payable, any adjustments that you have made must be taken into account no later than the filing deadline for your return.

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## Filing frequency

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You must have the same fiscal year under the GST and QST systems so that your filing frequencies are identical for the two taxes. As a rule, the fiscal year is identical to the taxation year for income tax purposes. You can make an election regarding your filing frequency when you register.

We will assign your filing frequency for GST and QST purposes on the basis of your and your associates' total annual taxable sales made in Canada. Your assigned filing frequency (monthly, quarterly or annual) is shown on your confirmation of registration.

You must remit the amount of net GST and QST payable, or claim your refund, when you file your return.

If you file on an annual basis and meet the following two requirements, you must generally remit the GST in four instalments:

- Your estimated net GST payable for the current year is \$3,000 or more.
- The net GST you remitted for the previous year was \$3,000 or more.

The same requirements apply for QST purposes.

To remit your instalments, you must file form FPZ-558-V, *GST/HST and QST Instalments*. A copy of the form will be sent to you before the due date for each instalment. You must pay the instalments no later than one month after the last day of each quarter in your fiscal year. The return you must file at the end of the year will help you compare the total of your instalment payments with the actual amounts of GST or QST remittable.

You are not required to make instalments if your net GST or QST payable for the current year or the previous year is less than \$3,000. Simply file the annual return and remit the net GST or QST payable, or claim your refund.

The \$3,000 limit refers to the total net GST or QST payable of your business as a whole, including all its branches and divisions, even if your branches or divisions file separate returns.



## NOTE

Since the QST rate (9.975%) is greater than the GST rate (5%), you may be required to remit QST instalments even if you do not have to remit GST instalments. If this applies to you, contact us to obtain form VDZ-458.0.1-V, *QST Instalments*.

The table below shows the assigned filing frequencies and the possible elections you can make to change the assigned frequency. The table does not apply to charities, which can choose their filing frequency regardless of their annual sales, or to garment manufacturers, which are required to file monthly returns under the QST system.

Annual taxable sales	Assigned filing frequency	Possible election
Over \$6,000,000	Monthly	None
Over \$1,500,000 but not over \$6,000,000	Quarterly	Monthly
\$1,500,000 or less	Annual (with or without instalments)	Monthly or quarterly

If you wish to change your assigned filing frequency, you must file form FP-2620-V, *Election Respecting the GST/HST and QST Reporting Period*. For more information, see "Elections and applications concerning the administration of the GST and QST" on page 87.

You can also make an election regarding your filing frequency when you register for the GST and QST. If you expect to claim refunds often, a shorter reporting period is to your advantage. Once you have chosen a filing frequency, you must normally use it for at least one year.

## Designated reporting periods

GST and QST registrants can request that certain reporting periods in a fiscal year be designated reporting periods, that is, periods for which they will not be required to file a return. To make this request, the tax that was collected or collectible and the adjustments to the net tax calculated must total \$1,000 or less for the reporting period(s) concerned. Amounts of tax pertaining to a designated period must be reported on the return for the following period.

Designated reporting periods can be useful for persons that operate a seasonal or part-time business, or for non-residents that carry on commercial activities in Canada (or in Québec, for QST purposes) for a short time each year. Designated reporting periods are granted only if the registrant has fulfilled all obligations to the CRA and Revenu Québec.

Designated reporting periods can be granted to businesses and organizations, regardless of the amount of their income or the nature of their commercial activities, but not, in most cases, to registrants that file annual returns. Moreover, designated reporting periods cannot be granted to branches or divisions of a registrant, unless the registrant applies for designated reporting periods on behalf of the business as a whole.

To apply for designated GST and QST reporting periods, you must send us a letter, either at the time you register or before the beginning of the first designated period. The letter must give the date on which each designated period is to begin and end, and the registrant's legal name and the names of any branches or divisions that file separate returns. Remember to sign the letter.



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## GST and QST returns

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If you are a registrant, you must file a GST and a QST return even if you are not entitled to a refund or have no amount payable.

One advantage of having the GST administered in Québec is that registrants in Québec can file a combined GST–QST return (form FPZ-500-V, *GST/HST-QST Return*), and make their GST and QST remittances with a single cheque and a single remittance slip. Businesses that cannot use the combined GST–QST return must file a GST return (form FPZ-34-V, *GST/HST Return*) and a QST return (form VDZ-471-V, *QST Return*), as applicable.

The following GST and QST registrants **must** file their GST and QST returns online:

- registrants (other than charities) whose total annual taxable sales<sup>26</sup> exceed \$1,500,000 for GST purposes;
- registrants subject to the ITC recapture measure for the provincial portion of the HST paid on certain goods and services acquired in Ontario and Prince Edward Island;
- builders affected by the transitional provisions concerning new housing in British Columbia, Prince Edward Island, New Brunswick, Nova Scotia, Ontario or Newfoundland and Labrador.

For more information on filing GST and QST returns online, go to our website at [revenuquebec.ca](http://revenuquebec.ca).

Other registrants can choose to file online or by mail. If filing by mail, we will send them personalized forms.

We must receive monthly and quarterly returns no later than one month after the end of the period covered by the return. We must generally receive annual returns no later than three months following the end of the period covered by the return.

### NOTE

If you are a registrant and meet the following two conditions, you have until June 15 of the following year to file your GST and QST return:

- You have business income (other than property income) for income tax purposes.
- You have an annual filing frequency and a fiscal year that ends on December 31 for GST and QST purposes.

However, you must remit any GST or QST due by April 30 of the following year.

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26. Annual taxable sales for GST purposes include your and your associates' taxable and zero-rated sales of goods and services, but do not include sales made outside Canada, zero-rated exports of goods and services, zero-rated financial services, and taxable sales of immovables and goodwill.



You must file your returns by the applicable deadline (see above). If you lose a personalized return we send you or do not receive one at least 15 working days before the filing deadline, contact us as shown at the end of this document.

Certain businesses and organizations can apply to have their branches or divisions file separate GST and QST returns. To do so, they must file form FP-2010-V, *Application or Revocation of Application to File Separate Returns or Rebate Applications*. For more information about the form, refer to "Elections and applications concerning the administration of the GST and QST" on page 87.

<b>Dates to remember</b>	
<b>Monthly or quarterly reporting period</b>	
One month after the last day of your reporting period	Filing deadline for GST and QST returns
<b>Annual reporting period</b>	
Three months after the last day of your reporting period	Filing deadline for GST and QST returns
Last day of the month following the end of each quarter in your fiscal year	Deadline for instalment payments of GST and QST (if you are required to pay instalments)
April 30 (for sole proprietorships)	Deadline for remitting GST and QST if your fiscal year ends on December 31
June 15 (for sole proprietorships)	Filing deadline for GST and QST returns if your fiscal year ends on December 31

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## Amending a tax return

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If you wish to amend a tax return you filed using our online services, you must complete form FP-2500.E-V, *Request to Amend a GST/HST and QST Return Filed Online*.

If you filed your return on paper, you must complete form FPZ-2500-V, *Request to Amend a Return*.

### NOTE

You must complete a separate form for each return you want to amend.



## Applying a tax refund to the payment of tax owing

You may wish to use a GST refund or rebate (such as an amount of tax paid in error or a rebate for public service bodies) for a given period to offset the net GST payable for the same period. To do so, you must complete the appropriate application and file it along with your GST return.

Similarly, if your QST return shows net QST payable, and you are claiming a QST refund, you may deduct the refund from the amount owing, and remit or claim the difference, as applicable. Here again you must complete the appropriate application and file it with your return.

If you are using the combined GST–QST return (form FPZ-500-V), you can use a QST refund to offset GST payable, and vice versa. In this case, you would remit the difference to Revenu Québec, or claim it as a refund, as applicable. However, we do not generally allow you to offset GST payable using a QST refund if you have:

- other debts to the federal or Québec government (even if a tax debt agreement has been reached); or
- failed to file a return for a previous reporting period.

<b>Example</b>	
You collected \$1,200 in GST <sup>27</sup> and \$2,400 in QST. You are entitled to an ITC of \$1,750 and an ITR of \$150.	
GST collected	\$1,200
ITC	– \$1,750
<b>Refund of net tax</b>	<b>(\$550)</b>
QST collected	\$2,400
ITR	– \$150
<b>Net tax payable</b>	<b>\$2,250</b>
Net tax to be remitted	\$2,250
Refund of net tax	– \$550
<b>Amount of remittance</b>	<b>\$1,700</b>

If you have branches or divisions that file separate GST and QST returns, you can use the refund of one branch or division to offset the tax payable by another (GST offset by QST, or vice versa). To do so, you must file the returns of the branches or divisions at the same time.

27. In this example, GST does not mean the HST.



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## Tax remittances or refunds

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### Where should you make tax remittances or file refund applications?

You must remit all GST and QST amounts to us. You can make your remittances online, just as you can file your GST and QST returns online. Simply use the online services on our website at [revenuquebec.ca](http://revenuquebec.ca). For more information, refer to “Online services” on page 95.

You can also make your remittances in person at a financial institution. Be sure to have your remittance slip with you. If you make your remittances by mail, enclose your remittance slip along with your cheque or money order (made payable to the Minister of Revenue of Québec) in the return envelope. Write your GST and QST registration numbers on the cheque or money order.

#### NOTE

GST and QST remittances of \$50,000 or more must be made at a financial institution.

We must receive your remittance slip and payment no later than the filing deadline for your return (that is, the date shown on the personalized return sent to you by Revenu Québec). The date of receipt of a payment is the date on which it is received by a financial institution or at a Revenu Québec office (a postdated cheque is considered to be received on the date it can be cashed).

If you are claiming a refund, or if you have no remittance to make, you cannot submit your return or your refund application to a financial institution. You must submit it online or mail it to us at one of the addresses listed at the end of this document. If you mail your application, whether you are making a remittance or claiming a refund, you must sign and return the remittance slip, as this constitutes your official return.

#### NOTE

Never send cash by mail.

### When will you receive your refund cheque or notice of assessment?

We must act with due diligence in refunding any net tax that a registrant claims on the required return.

If you do not receive your GST refund within 29 days after the day on which you filed your return, you will be paid interest calculated as of the 30th day following the date on which we received your return, provided:

- You filed the return after the end of the reporting period.
- You have filed all the required returns for that reporting period and for all previous reporting periods. You may not receive the refund you claimed if you have a debt to the CRA.

If you do not receive your QST refund within 45 days after we receive your return, you will be paid interest calculated as of the 46th day following the date of receipt of your return. You may not receive the refund you claimed if you have a debt to us.



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## Penalties and interest

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### GST system

A penalty is charged if you file a return late. However, this penalty does not apply to a zero balance or a refund. The penalty is equal to:

- 1% of the unpaid amount; **plus**
- 0.25% of the unpaid amount multiplied by the number of full months (up to 12 months) for which the return is late.

We may impose a penalty on registrants that were required to file their GST returns online but did not do so.

Any amount that is not paid within the prescribed time bears interest at the prescribed rate. This rate is revised quarterly. For example, the rate under the GST system was 5% for the quarter ending on December 31, 2017. Interest is capitalized daily.

### QST system

Persons that fail to file a return by the prescribed deadline are liable to a penalty of \$25 for each day the return is late, up to \$2,500. In addition, persons that fail to pay an amount within the prescribed time are liable to a penalty at the rate based on the number of days the remittance is late. The rate is 7% of the outstanding amount for payments that are 1 to 7 days late, 11% for payments that are 8 to 14 days late and 15% for payments that are 15 or more days late.

Persons that fail to collect an amount are liable to a penalty of 15% of the amount, as are persons that obtain a refund to which they are not entitled or that exceeds the amount to which they are entitled. In addition, we may impose a penalty on registrants that were required to file their QST returns online but did not do so.

Any amount that is not paid within the prescribed time is subject to interest at the prescribed rate. This rate is revised quarterly. For example, the rate under the QST system was 6% for the quarter ending on December 31, 2017. Interest is capitalized daily.



# SPECIAL CASES

## Cash discounts and late-payment charges

If you offer cash discounts (including early-payment discounts) on credit sales, you must collect the GST and QST on the total sale price before the discount.

### Example

The invoice you give the customer contains the following information:

Purchase		\$100.00
GST <sup>28</sup> (\$100 × 5%)	+	\$5.00
QST (\$100 × 9.975%)	+	\$9.98
	<b>Total</b>	<b>\$114.98</b>

The invoice also confirms that a 2% discount is offered if the customer pays within 10 days of billing. The GST and QST do not change, even if the customer takes advantage of the discount. Consequently, the total price paid by the customer will be \$112.98, calculated as follows:

Purchase (\$100 – \$2)		\$98.00
GST (\$100 × 5%)	+	\$5.00
QST (\$100 × 9.975%)	+	\$9.98
	<b>Total</b>	<b>\$112.98</b>

If you charge an amount for late payment of a bill, the GST and QST must be calculated on the amount shown on the invoice before the addition of the late-payment charge.

### Example

You charge \$5 for late payment of a bill of \$100. In this case, the GST<sup>28</sup> and QST must be collected only on the amount of \$100, even if your customer actually paid \$105 for the item.

When the amount you bill the customer is already net of the early-payment discount, you must charge GST and QST on the invoiced amount.

### Example

You send a customer an invoice with instructions to pay \$108 if payment is made by March 23, or \$118 if payment is made after March 23. Even if the customer makes the payment on or after March 23, you must charge GST<sup>28</sup> and QST on the amount of \$108.



## Volume discounts

If you offer volume discounts, you may be able to adjust the GST and QST payable by the customer. This will depend on when the discount is granted.

If the discount is granted **at the time of sale**, you must bill the GST and QST on the discount price (the sale price minus the discount).

<b>Example</b>		
You sell tables and chairs to a customer and provide a 10% discount on the price.		
10 tables at \$150.00 each		\$1,500.00
10% discount	–	\$150.00
40 chairs at \$50.00 each	+	\$2,000.00
10% discount	–	\$200.00
<b>Subtotal</b>		<b>\$3,150.00</b>
GST <sup>29</sup> (\$3,150 × 5%)	+	\$157.50
QST (\$3,150 × 9.975%)	+	\$314.21
	<b>Total</b>	<b>\$3,621.71</b>

Some volume discounts are granted after the sale is made and the GST and QST are collected. This type of discount is granted to the customer **at the end of a set period**, such as one year. In such a case, you can adjust, refund or credit the GST and QST related to the discount. If you choose to adjust the taxes, you must do so during the reporting period in which the discount was granted, or within four years after the end of that period.

As a rule, you must also issue a credit note to the customer specifying the amount of the discount and the amount of adjusted, refunded or credited taxes. However, a credit note is not necessary if the customer provides you with a debit note containing this information. In this case, the GST and QST collected do not change, but you can subtract an amount equal to the reduction of taxes in the calculation of your net tax. If the customer is a registrant, the ITC and ITR to which the customer is entitled will be reduced by an amount equal to the reduction of taxes.

In certain circumstances, you may not want to adjust the taxes, such as when a registrant purchaser has already claimed an ITC and an ITR for the amounts. If you decide not to make the adjustment, the GST and QST must not be included in the discount, and a credit or debit note need not be provided.

29. In this example, GST does not mean the HST.



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## Deposits and returned goods

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The GST and QST are collected on a deposit only if the deposit is considered to constitute partial payment of the sale price of a good or service. If the customer forfeits the deposit by not purchasing the item or service, both taxes are considered to be included in the deposit.

To determine the GST<sup>30</sup> to be collected and remitted on the forfeited amount, multiply the amount of the deposit by 5/105. To determine the QST to be collected and remitted, multiply the total amount of the deposit by 9.975/109.975. Registrant customers can claim an ITC and an ITR for the taxes deemed to have been paid on the forfeited deposit if they have the required information.

The table below shows the tax fractions to use in provinces where the HST applies.

Tax fractions in provinces where the HST applies	
	Since October 1, 2016
Prince Edward Island	15/115
New Brunswick	15/115
Nova Scotia	15/115
Ontario	13/113
Newfoundland and Labrador	15/115

### Example

A customer pays a deposit of \$50 to reserve a television set for purchase, but later decides not to buy the item. The deposit is therefore forfeited. We consider that you have collected GST<sup>30</sup> and QST equal to 5/105 and 9.975/109.975, respectively, of the forfeited deposit. As a result, you must remit \$2.38 in GST ( $\$50 \times 5/105$ ) and \$4.54 in QST ( $\$50 \times 9.975/109.975$ ). If the customer is a registrant, an ITC of \$2.38 and an ITR of \$4.54 can be claimed in most cases.

The above rules do not apply to instalment payments. For the rule that applies, see “When to collect GST and QST” on page 21.

If you provide a refund or credit on goods returned by a customer, you can refund or credit the corresponding GST and QST to the customer. In either case, you must prepare a credit note and give it to your customer.



The note must include the following information:

- a statement to the effect that the document is a credit note;
- your name or business name and your GST and QST registration numbers;
- the customer's name or business name;
- the date on which the credit note is issued;
- one of the following:
  - the amount of the tax adjustment, credit or refund,
  - a statement specifying that the total amount includes the tax adjustment, credit or refund, and also providing the tax rate applicable to each good or service and the reduction applicable to all goods or services or to each good or service.

A debit note provided by the customer and containing the information specified above is also acceptable.

You can deduct the GST and QST you refunded (or credited) to the customer from the net tax for the reporting period during which the credit or debit note was prepared, provided you have already taken the tax into account in the calculation of net tax for the reporting period concerned or a previous reporting period. The customer, in calculating net tax, is required to add the tax refunded by you. This is particularly important if the customer is a registrant and claimed an ITC and an ITR for the tax initially paid.

If you refund only a percentage of the purchase price (for example, 85%) and keep the balance to cover repackaging or other expenses, you must refund only 85% of the tax initially collected. You must also prepare a credit note (or request a debit note) for that amount.

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## Promotional gifts and free samples

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In general, you are not required to collect GST or QST on promotional gifts distributed to customers free of charge or as a bonus on the purchase of another item, as long as the gifts are reasonable in the circumstances. However, you can claim ITCs and ITRs for the taxes you paid (or that were payable) on purchases related to such gifts, provided the gifts are acquired to promote or facilitate your taxable sales.



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## Gift cards and gift certificates

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Gift cards are a version of gift certificates offered by businesses in the form of swipe cards or chip cards. An amount of money is recorded on the card for use by a customer to purchase goods or services from the issuing business or businesses.

Gift certificates are vouchers that allow customers to purchase goods or services from one or more businesses.

Sales of gift cards and gift certificates are not taxable. However, when a customer uses a gift card or gift certificate, GST and QST must be calculated on the total price of the goods or services purchased, as in a cash purchase. The value of the gift card or gift certificate is considered to cover all or part of the amount paid for the goods or services purchased. As the retailer, you are not entitled to any form of compensation.

<b>Example</b>		
For his birthday, a boy receives a \$30 gift card from his favourite store. His purchase is as follows:		
CDs		\$35.00
GST <sup>31</sup> (\$35 × 5%)	+	\$1.75
QST (\$35 × 9.975%)	+	\$3.49
<b>Subtotal</b>		<b>\$40.24</b>
Value of gift card	–	\$30.00
	<b>Balance due</b>	<b>\$10.24</b>

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## Coupons

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Coupons are receipts or tickets with a set monetary value (such as a \$2 discount) or without a set monetary value (such as a 10% discount). Coupons entitle the consumer to a discount on the purchase price of specific goods or services. Coupon reimbursements are not taxed.

The following section shows how to calculate the GST and QST on various types of coupons.



## Reimbursable coupons

Reimbursable coupons reduce the total amount of the bill, like a cash payment. They are generally referred to as “manufacturers’ coupons,” and their face value is considered to include the GST and QST payable.

Reimbursable coupons:

- are remitted by the retailer to a third party (for example, a coupon clearing house or the manufacturer) for redemption;
- entitle the purchaser to a specific discount (set amount) at the time of purchase; and
- apply only to taxable (excluding zero-rated) goods and services.

When a customer presents a retailer with this type of coupon and the retailer’s prices do not include the GST or QST, the retailer must total the value of all items purchased and add the GST and QST payable before deducting the value of the coupon(s) from the total amount charged. If the retailer’s prices include the GST and QST, the vendor must total the sale first and then deduct the value of the coupon(s).

<b>Example</b>		<b>GST<sup>32</sup> and QST not included in the price</b>	<b>GST and QST included in the price</b>
A customer purchases an item and provides a \$10 coupon. You must calculate the amount that the customer must pay in one of the following ways:			
Price of item		\$25.00	\$28.74
GST (\$25 × 5%)	+	\$1.25	
QST (\$25 × 9.975%)	+	\$2.49	
<b>Subtotal</b>		<b>\$28.74</b>	<b>\$28.74</b>
Value of coupon (GST and QST included)	–	\$10.00	– \$10.00
<b>Amount payable by customer</b>		<b>\$18.74</b>	<b>\$18.74</b>

On the GST return, the **retailer** must account for the GST collected without taking the value of the coupon into account. The QST collected must be taken into account in the same manner on the QST return. On sending the coupon to the manufacturer for redemption, the retailer will generally be reimbursed for the full value of the coupon (including GST and QST).

The **manufacturer** can claim an ITC and an ITR for the taxes that were reimbursed and deemed to have been included in the value of the coupon. The ITC will be equal to 5/105<sup>33</sup> of the value of the coupon, the ITR to 9.975/109.975 of its value.

**Registrants that use such coupons** to make purchases for their business must keep in mind that the value of the coupon is subtracted after calculation of the GST and QST, thereby reducing the amount of GST and QST actually paid on the purchases. The amount claimed as an ITC must therefore be reduced by 5/105 of the value of the coupon. Similarly, the amount claimed as an ITR must be reduced by 9.975/109.975 of the value of the coupon.

32. In this example, GST does not mean the HST

33. To find out which tax fraction to use in provinces where the HST applies, see “Deposits and returned goods” on page 52.



## Non-reimbursable coupons

Non-reimbursable coupons are normally distributed by retailers and have the following characteristics:

- They are not remitted to a third party for reimbursement.
- They entitle the customer to a specific discount (amount or set percentage) at the time of purchase.
- They apply only to taxable (excluding zero-rated) goods or services.

Retailers can treat such coupons as reimbursable coupons; this allows them to simplify their accounting, since all their coupons can be treated in the same way. In this case, they must follow the rules set out under “Reimbursable coupons” on the previous page. The retailer can also claim ITCs and ITRs for the taxes that were deemed to be included in the value of the coupon, for the reporting period in which the coupon was accepted.

Non-reimbursable coupons can also be used to reduce the price of goods or services before the calculation of GST and QST. Retailers who choose this method must deduct the value of the coupon from the sale price before calculating the GST and QST payable by the purchaser. In this case, the retailer cannot claim ITCs and ITRs on the value of the coupons presented by the purchaser.

<b>Example</b>		
A customer buys a tool in your hardware store and presents a coupon to obtain a discount.		
Price of tool		\$25.00
Face value of coupon	–	\$10.00
<b>Subtotal</b>		<b>\$15.00</b>
GST <sup>34</sup> (\$15.00 × 5%)	+	\$0.75
QST (\$15.00 × 9.975%)	+	\$1.50
<b>Amount payable by the customer</b>		<b>\$17.25</b>

## Other coupons

Coupons that are not for a specific discount are treated in the same way as non-reimbursable coupons whose value is deducted from the sale price of an item before calculation of the taxes.

These coupons may:

- entitle the customer to various percentages of discount on the price of an item (for example, coupons offering a 10% discount on a purchase of five boxes or less and a discount of 20% on a purchase of six boxes or more);
- offer an item free of charge if another item is purchased (for example, two-for-one coupons);
- entitle the customer to more than one monetary discount (for example, \$0.50 off a 1 L bottle of soft drink, or \$1.00 off a 2 L bottle);
- be used to purchase taxable or exempt goods and services.



## Manufacturers' rebates

Manufacturers may offer rebates on the property they sell. The GST and QST rules for manufacturers' rebates apply when all three of the following conditions are met:

- A manufacturer sells taxable property (excluding zero-rated property, other than motor vehicles purchased for sale, under the QST system) to a customer entitled to a rebate.
- The sale is made either directly by the manufacturer or by another person (such as a retailer).
- The customer receives a rebate respecting the property from the manufacturer, accompanied by a document specifying that a portion of the rebate represents the GST and QST, and the rebate is not associated with a debit or credit note.

Some manufacturers provide a rebate application form with the property (often referred to as a "mail-in rebate"). In this case, the customer, after purchasing the item from the retailer, completes the rebate application and mails it directly to the manufacturer. Since the payment of the rebate is a separate transaction between the manufacturer and the customer, the retailer must take into account the GST and QST on the full sale price of the item, without deducting the value of the manufacturers' rebate.

### Example

A customer purchases a package of batteries from a hardware store for \$8 plus \$0.40 GST<sup>35</sup> and \$0.80 QST. The package contains a form that can be completed and mailed to the manufacturer for a \$2 rebate. The manufacturer receives the rebate application and sends the customer a cheque for \$2.

Some manufacturers' rebates are granted to customers through the retailer at the time the property is purchased. Even if the amount of the rebate is applied to the retail price of the property, the retailer must collect GST and QST on the retail price before deducting the amount of the rebate.

### Example

A dealership sells an automobile for \$20,000. The dealer informs the customer (who is not a GST or QST registrant) that the manufacturer is providing a \$500 rebate on the automobile.

Automobile sale price		\$20,000
GST <sup>35</sup> (\$20,000 × 5%)	+	\$1,000
QST (\$20,000 × 9.975%)	+	\$1,995
<b>Subtotal</b>		<b>\$22,995</b>
Rebate	–	\$500
	<b>Amount payable by the customer</b>	<b>\$22,495</b>

The customer must pay \$20,500 (\$22,495 - \$1,995) to the dealership and \$1,995 to the Société de l'assurance automobile du Québec.

Manufacturers that grant a rebate are entitled to an ITC equal to 5/105<sup>36</sup> of the value of the rebate for the period during which the rebate was granted. They are also entitled to an ITR equal to 9.975/109.975 of the value of the rebate. Special rules apply if the customer is a registrant entitled to an ITC or an ITR, or to a GST or QST rebate. For more information, contact us at one of the numbers shown at the end of this document.

35. In this example, GST does not mean the HST.

36. To find out which tax fraction to use in provinces where the HST applies, see "Deposits and returned goods" on page 52.



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## Used property

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### Sales of used property

As a rule, the sale of used property (including property seized or repossessed by a creditor) is taxable at 5% GST<sup>37</sup> and 9.975% QST. Consequently, an antique dealer that is a registrant must, in most cases, collect the taxes on property sold. However, used property is not taxable if sold by a person not engaged in commercial activities (for example, an individual who sells personal items at a garage sale).

Under the QST system, road vehicles that must be registered under the *Highway Safety Code* are QST-taxable even if the vendor is not engaged in commercial activities. In such cases, the QST is collected when the vehicle is registered with the Société de l'assurance automobile du Québec (SAAQ).

Persons that occupy a space at a flea market (referred to as “occupants”) are subject to the same rules as most other merchants, regardless of whether the merchandise they sell is new or used. Under the QST system, persons that make the selling space available to occupants must send us a list of the occupants containing certain information. For more information, refer to *Flea Markets* (IN-255-V).

### Purchases or trade-ins of used property

If you accept used property as a trade-in for property you sell, special rules apply to the transaction, depending on whether or not the person trading in the property (the vendor) is a registrant.

#### The vendor is a registrant

In general, if the vendor is registered for the GST and the QST, the vendor must collect GST and QST on the value of the property traded in, provided the property was used in the course of the vendor’s commercial activities. In this case, you must collect GST and QST from the vendor on the full sale price of the property. This therefore requires two separate transactions.

#### NOTE

If the property traded in was not used in the course of the vendor’s commercial activities, the rules under “The vendor is not a registrant” on page 60 apply.



**Example**

ABC company sells machinery to XYZ company for \$50,000. ABC grants \$20,000 on the trade-in of XYZ's used machinery. Both companies are registrants.

**Invoice prepared by XYZ**

Sale price of used machinery		\$20,000
GST <sup>38</sup> (\$20,000 × 5%)	+	\$1,000
QST (\$20,000 × 9.975%)	+	\$1,995
<b>Amount paid by ABC</b>		<b>\$22,995</b>

**Invoice prepared by ABC**

Sale price of new machinery		\$50,000.00
GST (\$50,000 × 5%)	+	\$2,500.00
QST (\$50,000 × 9.975%)	+	\$4,987.50
<b>Subtotal</b>		<b>\$57,487.50</b>
Total paid by ABC for the used machinery	–	\$22,995.00
<b>Amount paid by XYZ</b>		<b>\$34,492.50</b>

Both you and the vendor can claim an ITC and an ITR for the taxes paid, since the property in each case was acquired in the course of commercial activities. The amount of GST and QST collected must be listed on both the invoice prepared by the vendor and the invoice prepared by you.

38. In this example, GST does not mean the HST.



## The vendor is not a registrant

In the following cases, GST and QST do not apply to the value of the property traded in:

- The vendor is not registered for the GST and the QST.
- The vendor is registered and the property traded in was not used in the course of the vendor's commercial activities.
- Under the QST system, the vendor is a large business and the property traded in is a road vehicle.

You must calculate the taxes on the net amount of the sale, that is, on the sale price of the item minus the trade-in value. There is an exception for trade-ins of road vehicles under the QST system (explained below under "Trade-ins of road vehicles").

### NOTE

The taxes are calculated on the net amount only if the purchaser also owns the property traded in.

#### Example

Green Grass Inc. is a registrant. It sells a lawnmower to a customer who is not a registrant for \$500, and grants \$100 for the trade-in of the customer's used lawnmower.

New lawnmower		\$500.00
Lawnmower traded in	–	\$100.00
<b>Subtotal</b>		<b>\$400.00</b>
GST <sup>39</sup> (\$400 × 5%)	+	\$20.00
QST (\$400 × 9.975%)	+	\$39.90
	<b>Amount payable by customer</b>	<b>\$459.90</b>

Green Grass Inc. is not entitled to an ITC or an ITR for the trade-in lawnmower.

## Trade-ins of road vehicles

Under the GST system, trade-ins of road vehicles are subject to the above-mentioned rules respecting the sale, purchase or trade-in of used property. The same is generally true under the QST system. However, the QST does not apply to motor vehicles traded in by registrants to vehicle vendors. Such sales are zero-rated, since the vehicle vendors acquire the vehicles exclusively for the purpose of selling them or of leasing them for a period of at least one year.

In the case of used road vehicles, the QST applies to the estimated value of the vehicle. The Société de l'assurance automobile du Québec (SAAQ) collects the QST on retail sales of motor vehicles with a net weight of less than 4,000 kilograms.

For more information, refer to *The QST, the GST/HST and Road Vehicles* (IN-624-V).



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## Sales made in a participating province

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The HST applies in the participating provinces (Prince Edward Island, New Brunswick, Nova Scotia, Ontario and Newfoundland and Labrador). The basic GST<sup>40</sup> rules also apply to the HST. The table below shows the applicable HST rates in each of the participating provinces as well as the provincial and federal components of these rates.

Provinces where the HST applies	Since October 1, 2016		
	Federal HST component	Provincial HST component	HST rate
Prince Edward Island	5%	10%	15%
New Brunswick	5%	10%	15%
Nova Scotia	5%	10%	15%
Ontario	5%	8%	13%
Newfoundland and Labrador	5%	10%	15%

Businesses registered for the GST/HST must collect and remit HST on all taxable sales (excluding zero-rated sales) they make in a participating province.

Québec registrants are not required to account separately for the HST collected or paid. They may use their usual GST return to calculate their net tax. These registrants must, however, account for the QST separately.

The place of supply rules apply for the purpose of determining whether or not a sale is made in a participating province. Québec registrants must take these rules into account in deciding whether they must collect the GST or the HST on sales made in these provinces.

The rules for determining the place of supply are the same as the rules used to determine whether a transaction occurs in Québec. For more information, refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax: Place of supply rules for determining whether a supply is made in a province*. The bulletin is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

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## Sales to the federal government

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The federal government, its corporations and its agencies are required to pay GST and QST when they acquire taxable goods or services (excluding zero-rated goods or services). Consequently, you must collect GST and QST on your taxable sales (excluding zero-rated sales) to the federal government, its corporations and its agencies.

The federal government, its corporations and its agencies must also collect GST and QST and remit it to us when they make taxable sales of goods or services (excluding zero-rated sales).

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40. In this section, GST does not mean the HST.



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## Sales to the Québec government

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The Québec government and its departments, agencies and mandataries must pay the GST and QST when they acquire taxable goods or services (excluding zero-rated goods or services).

The Québec government and its departments, agencies and mandataries must also collect GST and QST and remit it to us when they make taxable sales of goods or services (excluding zero-rated sales).

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## Sales to Indians

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In most cases, you must collect GST and QST on sales made to Indians, band councils, tribal councils and band-empowered entities, and on sales of goods and services made on a reserve to persons who are not Indians. However, the taxes do not have to be charged if:

- Property is purchased on a reserve by an Indian, a band council, a tribal council or a band-empowered entity that is not a legal person, or delivered to a reserve by the vendor or the vendor's agent (and, in the case of a band-empowered entity that is a legal person, the property is also intended for band management activities).
- Services are provided entirely on a reserve, to an Indian, in respect of property located on the reserve at that time.
- Services are provided entirely on a reserve to an Indian who is on the reserve at that time.
- Transportation services with on-reserve departure and arrival points are provided to an Indian.
- Services are performed in whole or in part off a reserve for an Indian and concern a right to real property situated on a reserve.
- Services are acquired on a reserve or off a reserve by a band council, tribal council or band-empowered entity for band management activities or for use with respect to real property situated on the reserve. Transportation services, short-term accommodation, and meals and entertainment are subject to GST and QST if acquired outside a reserve. However, a refund of the taxes may be claimed if the goods or services were acquired for band management activities or for use with respect to real property situated on the reserve.

### NOTE

The exemption from the taxes can only be granted if the proper documents are submitted to the vendor.

Some vendors whose place of business is not located on a reserve do business primarily with Indians, band councils, tribal councils or band-empowered entities. In some cases, these vendors are in a remote location and their regular trading zone includes a reserve which is not in the immediate vicinity. The requirement for the vendor to deliver the property to the reserve may therefore be difficult to meet, either because of prohibitive costs or lack of transportation services. If this is the case, vendors may, under certain conditions, make tax-exempt sales to Indians, band councils, tribal councils or band-empowered entities without delivering the property to the reserve. For more information, refer to GST/HST Policy Statement P-246, *Remote stores and other off-reserve stores with significant sales to Indians, Indian bands and band-empowered entities*. The statement is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

You can claim ITCs and ITRs for purchases you make in the course of your commercial activities in order to sell goods or services to Indians, band councils, tribal councils or band-empowered entities. This is the case even if you are not required to collect GST or QST on the sales. We suggest that you keep separate entries in your books for sales made to Indians and sales on which you collected GST and QST.



## Supporting documents

If the purchaser is an individual on a reserve, the vendor must keep adequate proof that the sale was made to an Indian registered under the *Indian Act*. The vendor can simply enter on the invoice the individual's registry number included on the Certificate of Indian Status issued by Indigenous and Northern Affairs Canada, or the individual's band name and family number (commonly known as the "band number" or "treaty number").

If property is purchased on a reserve by a band council, a tribal council or a band-empowered entity, the purchaser must provide the vendor with a document certifying that the property is being acquired by the band council, tribal council or band-empowered entity.

If property is acquired outside a reserve by an Indian, a band council, a tribal council or a band-empowered entity, the vendor must also retain (in addition to the registry number on the Certificate of Indian Status or the certifying document from the band council, tribal council or band-empowered entity) adequate proof that the property was delivered to the reserve by the vendor or the vendor's agent. If the vendor's own vehicle is used to deliver property to the reserve, the vendor can complete form LE-20-V, *Proof of Delivery to a Reserve*, for records purposes.

In the case of services, the document must certify that the services are being acquired by a band council, a tribal council or a band-empowered entity for band management activities or for real property situated on a reserve.

For more information, refer to the following:

- GST/HST Technical Information Bulletin B-039, *GST/HST Administrative Policy – Application of the GST/HST to Indians*;
- GST/HST Policy Statement P-230, *Application of the Excise Tax Act to Leases, Licenses and Similar Arrangements of Tangible Personal Property by Indians, Indian Bands and Band Empowered Entities* (The statement is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).);
- the current version of interpretation bulletin TVQ. 16-17, *Rules applicable to the bands of Hunter's Point, Kitcisakik and Pakuashipi and to the members of those bands*.

## Special measures for the Mohawks of Kahnawake

There are special measures providing for a QST exemption on sales of property to the Mohawks of Kahnawake. The exemption does not cover meals served in restaurants, fuel or alcoholic beverages.

These measures must be applied by persons that carry on commercial activities in one of the regional county municipalities located in the RCM of Roussillon (Candiac, Châteauguay, Delson, La Prairie, Léry, Mercier, Saint-Constant, Sainte-Catherine, Saint-Isidore, Saint-Mathieu and Saint-Philippe) and in the municipalities of Baie-D'Urfé, Beaconsfield, Brossard, Côte-Saint-Luc, Dollard-Des-Ormeaux, Dorval, Hampstead, Kirkland, L'Île-Dorval, Longueuil, Montréal, Montréal-Est, Montréal-Ouest, Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Saint-Lambert, Senneville and Westmount.

A Mohawk of Kahnawake who wishes to obtain the exemption must show two pieces of identification, one of which must be the Certificate of Indian Status. The other piece of identification may be the individual's Québec driver's licence, Québec health insurance card or Québec birth certificate. On the invoice, the merchant must enter the purchaser's name and the number shown on the Certificate of Indian Status.



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## Sales to foreign representatives or officers

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You must collect the GST and QST on taxable sales (excluding zero-rated sales) made to diplomatic missions, consular posts, offices of political divisions of foreign states, international organizations and visiting forces units present in Canada. The same rule applies to foreign representatives or officers of one of those entities, whether they make purchases on their own behalf or on behalf of their organizations.

Foreign representatives or officers and their dependants therefore cannot avoid paying GST and QST by showing the vendor diplomatic identification cards issued by the federal or Québec government. However, foreign representatives or officers (and, in certain cases, the members of their family or only their spouse) can obtain a rebate of the taxes paid on most purchases if they meet certain conditions. To do so, they must complete and file, with supporting documents, form FPZ-2498-V, *Application for a Rebate of Taxes and Duties for a Foreign Representative, Diplomatic Mission, Consular Post, Office of a Political Division of a Foreign State, International Organization or Visiting Forces Unit*. The application must be filed within two years following the date of purchase.

Members of diplomatic missions, consular posts or offices of political divisions of foreign states can obtain tobacco products from selected suppliers without paying the tobacco tax, as may non-Canadian employees of certain international government organizations. At a branch of the Société des alcools du Québec, these persons can also purchase alcoholic beverages without paying the QST or the specific tax on alcoholic beverages. For more information, refer to *Tax Rebate for Foreign Representations* (IN-249-V), which is available on our website at [revenuquebec.ca](http://revenuquebec.ca).

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## Sale of a business

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If you sell a business or a part of a business, you and the purchaser can make a joint election not to have the GST and the QST apply to the sale. The following conditions must be met:

- You are selling a business or part of a business that you established or carried on, or that you acquired after another person established it or carried it on.
- One of the following situations applies to you and the purchaser:
  - You are both registrants.
  - You are a non-registrant and the purchaser is a registrant.
  - You are both non-registrants.
- Through the transaction, the purchaser acquires all or substantially all (90% or more) of the property that may reasonably be considered necessary to carry on the business.

To make the election, you and the purchaser must complete form FP-2044-V, *Election Respecting the Acquisition of a Business or Part of a Business*, and send it to us.



To determine whether a sale meets these conditions, consider the two questions below.

### **Are you selling a business or a part of a business?**

For GST and QST purposes, a business includes a trade, manufacture or professional practice. The assets of a business generally include real property, equipment, inventory and intangible property such as goodwill. As a rule, the sale of one or more individual assets is not considered to constitute a sale of a business or a part of a business, even if the asset in question has a high monetary value and is indispensable to the operation or establishment of the business.

A part of a business is generally an activity that may be carried on by a functionally and physically distinct administrative unit. A part of a business may also be an activity which supports or is related to the broader business, but is organized as a separate activity capable of operating on its own.

#### **Example**

A cake and cookie manufacturer, in business for more than ten years, decides to specialize in cakes exclusively. Its cookie-making facilities (production line, inventory, equipment and intangible property) are put up for sale. In this case, it may be said that a part of a business is being sold.

### **Is the purchaser acquiring all or substantially all of the property?**

In order for the election regarding the sale of the business to be made, property that the purchaser requires to carry on the business but that is not acquired under the sales agreement (for example, property acquired from another source or already in the purchaser's possession) must not exceed 10% of the FMV of all the property required to carry on the business.

In addition, the purchaser must be capable of carrying on the same kind of business that was established or carried on by the vendor using the property acquired under the sales agreement.

Once the vendor and the purchaser have jointly elected not to apply the GST and QST, the vendor is not required to collect those taxes and the purchaser is not required to pay them. However, the taxes apply where:

- taxable services are rendered to the purchaser;
- taxable property is supplied by lease, licence or similar agreement; or
- taxable real property is sold to a non-registrant.

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### **Principals and agents (mandators and mandataries)**

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A mandate is a contract by which a person (an "agent" for GST purposes and a "mandatary" for QST purposes) is empowered to represent another person (the "principal" for GST purposes and the "mandator" for QST purposes) in the performance of a judicial act in respect of a third party. As part of its mandate, an agent may thus sell tangible personal property on behalf of a principal.

If the principal would be required to collect the taxes on a sale, the usual GST and QST rules apply to sales by an agent. Principals must therefore collect and report the taxes on the taxable sales (excluding zero-rated sales) made by their agents. For their part, agents must collect and report the taxes on the services they provide to principals with regard to those sales.



### Example

ABC Ltd., a corporation registered for the GST<sup>41</sup> and QST, has several surplus computers that were used in its commercial activities. The company arranges to have the computers sold by an agent who is also registered for the GST and QST.

The agent asks for a commission amounting to 10% of the sale price (excluding the taxes), and sells all of the computers to one buyer for \$1,000.

The agent therefore bills the customer \$50 GST ( $\$1,000 \times 5\%$ ) and \$99.75 QST ( $\$1,000 \times 9.975\%$ ).

The agent then credits \$1,149.75 ( $\$1,000 + \$50 + \$99.75$ ) to ABC Ltd. and requests payment of the \$100 commission ( $\$1,000 \times 10\%$ ), \$5 GST and \$9.98 QST (for a total of \$114.98).

ABC Ltd. therefore receives \$1,034.77 from the agent ( $\$1,149.75 - \$114.98$ ), and remits \$45 net GST ( $\$50 \text{ GST} - \$5 \text{ ITC}$ ) and \$89.77 net QST ( $\$99.75 \text{ QST} - \$9.98 \text{ ITR}$ ) to us. The agent reports only the taxes charged on the commission.

However, an agent and a principal can jointly elect to have the agent collect, report and remit the taxes. The agent and principal must both be registrants. This election must be made using form FP-2506-V, *Election or Revocation of an Election by a Principal and the Principal's Agent: Responsibility for Collecting, Reporting and Remitting the GST/HST and the QST*. Under the election, the agent and principal become jointly and severally responsible for any resulting obligations. The agent must also collect GST and QST on the commission received from the principal.

If the principal is not required to collect the GST or QST on the sale of taxable tangible personal property, the agent is generally considered to have sold the property to the buyer. The agent must therefore be registered for the GST and QST, and must collect the taxes and remit them to us. However, the agent is not required to collect the taxes on the services provided to the principal with regard to the sale.

### Example

A customer who is not registered for the taxes asks a merchant (the agent) to sell a boat for her. The boat was used for personal purposes. The agent, who is a registrant, asks for a commission of 10% of the sale price (excluding GST and QST).

The agent sells the boat for \$21,000. The agent must charge \$1,050 GST and \$2,094.75 QST to the buyer and remit those amounts to us. However, the \$2,100 commission ( $\$21,000 \times 10\%$ ) that the customer pays to the agent is not taxable.

In such cases, the principal and the agent may make a joint election in writing to have the principal collect the taxes from the buyer and report them. This election can be made if the principal is a registrant who is not required to collect the taxes on the sale in question and if the property was last acquired by the principal for consumption or use in a business, adventure or concern in the nature of trade. In this case, the agent must collect and report the GST and QST applicable to the services provided to the principal.

Auctioneers are considered agents and are subject to special rules. For more information, contact us as shown at the end of this document.



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## Exports

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### Tangible personal property

As a rule, tangible personal property is zero-rated for GST purposes if it is exported from Canada by the purchaser (or, in the case of the QST, if it is shipped outside Québec by the purchaser). You are therefore not required to collect the taxes on such property sold to a person that intends to export it from Canada (or ship it outside Québec).<sup>42</sup> You may nonetheless claim ITCs and ITRs to recover the taxes you paid on the goods and services acquired to make or sell such tangible personal property. For more information, refer to “Calculating ITCs and ITRs” on page 23.

To qualify as zero-rated, such property must meet **all** the following conditions:

- The property must not be an excisable good.
- The purchaser must not be a consumer.
- Once the property has been delivered to the purchaser in Canada, it must be taken outside Canada within a reasonable length of time.
- The property must not have been acquired for consumption, use or sale in Canada before being exported.
- The property must not be processed, transformed or altered in Canada after the sale and before being exported by the purchaser, except to the extent required for its transport.
- The vendor must provide proof that the purchaser exported the property from Canada since we may require this proof for audit purposes.
- If a person exports property that is electricity, crude oil or natural gas, or any other property transported by means of a wire, pipeline, or other conduit, the person must not be a registrant.

A sale of property is also zero-rated under the following circumstances:

- The property is shipped internationally to a destination specified in the contract for carriage of the property.
- Possession of the property is transferred to a common carrier or a consignee retained to ship the property internationally.
- The property is sent to a foreign address by mail or by courier.

Property and services under warranty sold in Canada to a non-resident not registered for the GST and QST are generally zero-rated.

Under the GST and QST systems, a person (other than a consumer) not resident in Canada that purchases tangible personal property for export, but does not meet the criteria for zero-rating mentioned above, must pay the taxes, but may be entitled to a refund of the taxes paid. However, the purchaser must export the property within 60 days after delivery for use primarily (more than 50%) outside Canada. The GST rebate is claimed using form FP-189-V, *General GST/HST Rebate Application*. The QST rebate is claimed using form VD-403-V, *General Application for a Québec Sales Tax (QST) Rebate*.

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42. Unless otherwise indicated, the rules set forth in this section apply to both taxes (even if the QST and Québec are not specifically mentioned).



An export trading house is a person at least 90% of whose commercial activities consist in exporting property outside Canada (under the GST system) or buying property in Québec for resale outside Québec (under the QST system). Such a person can request our authorization to use export certificates (shipping certificates) in order to purchase property without paying the taxes. These certificates serve as proof that the property is to be exported from Canada (or shipped outside Québec).

Eligible non-manufacturing businesses whose activities consist in exporting property from Canada (or shipping property outside Québec), and that add limited value through their processing or distribution activities, may use an export (or shipping) distribution centre certificate. This certificate allows the business to acquire the following property without paying the taxes: inventory, property added to other property during processing, and customers' property that undergoes processing services. For more information about these certificates, contact us.

In general, you must collect GST and QST on property purchased by non-resident consumers. A GST and QST rebate may be granted for tax paid on certain goods and services supplied as part of a tour package or related to and supplied in connection with a foreign convention.

As a supplier of such goods and services, you may pay or credit the rebate to your clients. You must report the amounts paid or credited using form FP-106-V, *Information Return: Rebates Paid or Credited for Foreign Conventions and Tour Packages*. For more information, refer to *GST/HST Information for the Travel and Convention Industry* (RC4036), which is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

In general, persons that reside in Canada, outside Québec, can claim a rebate of the QST on tangible personal property purchased in and shipped outside Québec by completing form VD-352-V, *Application for a Rebate of the QST Paid on Corporeal Movable Property That Is Taken or Shipped Outside Québec to Another Location in Canada by a Person Resident in Canada*. If the tangible personal property is a road vehicle, form VD-60.R-V, *Application for a QST Rebate for a Road Vehicle*, must be completed.

## Services

Services provided in Québec to non-residents are generally zero-rated. However, these transactions are subject to 5% GST<sup>43</sup> and 9.975% QST if, for example:

- The service is provided to an individual who is not resident in Canada<sup>44</sup> but is in Canada when he or she contacts the supplier about the service.
- The service is provided to an individual during his or her stay in Canada.

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43. In this paragraph, GST does not mean the HST.

44. The same rule applies for the QST in Québec. Unless otherwise indicated, the rules set forth in this section apply to both taxes (even if the QST and Québec are not specifically mentioned).



The sale of services (other than transportation services) provided with respect to tangible personal property ordinarily situated outside Canada is zero-rated, provided the property is imported solely for the purpose of rendering the services and is exported as soon as possible<sup>45</sup> after the services have been rendered. Any tangible personal property supplied with these services is also zero-rated.

### **Example**

A person imports property ordinarily situated outside Canada for the sole purpose of making repairs. The property is exported as soon as possible once the repairs have been made. The repair service is therefore zero-rated.

Other zero-rated services include:

- certain professional or consulting services provided to a non-resident;
- advisory, consulting or research services that are intended to assist a person that is not a resident of Canada in taking up residence or establishing a business in Canada;
- advertising services provided in Canada to a non-resident that is not a registrant;
- services provided in Canada to a non-resident that is not a registrant, in respect of property under warranty;
- services that consist in providing, to non-resident individuals, courses and examinations leading to a certificate, diploma, licence or similar document (or to a class or rating in respect of a licence) attesting to the non-resident individual's competence in a trade or vocation. The services must be sold to a non-resident (other than an individual) that is not a registrant.

## **Intangible personal property**

Supplies of intangible personal property (IPP) to non-residents who are not registrants are generally zero-rated. The exceptions are:

- a supply of IPP to an individual who is in Canada<sup>46</sup> when the supply is made;
- a supply of IPP that relates to real property in Canada or to tangible personal property that is ordinarily situated in Canada;
- a supply of IPP that relates to a supply of a service that is made in Canada, unless the service is zero-rated;
- a supply of IPP that can only be used in Canada;
- a supply of making a telecommunications facility that is IPP available for use in providing a telecommunication service.

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45. Under the QST system, services provided with respect to property that is ordinarily situated in Canada, outside Québec, are zero-rated for QST purposes, provided the purchaser of the services is registered for the GST.

46. The same rule applies for the QST in Québec. Unless otherwise indicated, the rules set forth in this section apply to both taxes (even if the QST and Québec are not specifically mentioned).



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## Imports

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### Tangible personal property

Property imported into Canada is generally subject to 5% GST,<sup>47</sup> and property brought into Québec is generally subject to 9.975% QST. This excludes items designated as non-taxable importations (GST system) or as non-taxable property brought into Québec (QST system). Non-taxable items include:

- certain medals, and certain trophies and other prizes;
- goods donated to a charity that are subsequently imported by the charity; and
- replacement parts or replacement property under warranty that is provided free of charge and sent to a person in Canada.<sup>48</sup>

As a rule, GST is collected on taxable goods (excluding zero-rated goods) imported into Canada, when the goods go through customs. The amount of GST is calculated on the value of the goods, including any applicable customs duties. If you are a GST registrant, you can claim an ITC for the GST paid on goods imported in the course of your commercial activities.

If you are registered for the QST, you do not have to collect QST on a property if you meet the following two conditions:

- You are bringing the property into Québec from outside Canada exclusively for use in your commercial activities.
- You can claim an ITR for the QST payable on the property.

Otherwise, you must report the QST payable in your return.

In addition, QST is collected on taxable property (excluding zero-rated property) that is brought into Québec by consumers from outside Canada, when the property goes through customs.

In the case of property brought into Québec from another place in Canada, the person that brings the property into Québec must remit the corresponding QST to us immediately after the property arrives in Québec, unless the person is a registrant and the property is for consumption or use exclusively in commercial activities. In other words, the person is not required to pay QST on property brought into Québec where an ITR could be claimed if the person paid the tax. Otherwise, the person must report the QST payable in the person's return.

A person that is not a QST registrant and that must pay the QST after bringing a property into Québec must report the property using form FP-505-V, *Special-Purpose Returns*, and form FP-505.D.D-V, *QST Return Respecting Property or a Service Brought into Québec by a Person That Is Not a QST Registrant*.

### Services and intangible personal property

Generally, you are not required to pay GST on services rendered outside Canada<sup>48</sup> or on intangible personal property you purchased from a non-resident that does not operate a business in Canada and is not required to register for the GST or QST, provided the property or services are acquired for use exclusively (90% or more) in your commercial activities.

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47. In this paragraph, GST does not mean the HST.

48. The same rule applies for the QST in Québec. Unless otherwise indicated, the rules set forth in this section apply to both taxes (even if the QST and Québec are not specifically mentioned).



### Example

You hire a computer consultant from the United States to design a computer system exclusively (90% or more) for your commercial activities. The consultant does not carry on a business in Canada and is not registered for the GST or QST. You do not have to pay GST or QST on the consultant's services.

Taxable services and taxable intangible personal property (excluding zero-rated services and property) that are not acquired exclusively (90% or more) for commercial activities are subject to GST and QST. The taxes are generally calculated on the amount charged for the services or property. The sale must have been made outside Canada.

Accordingly, if you are resident in Québec and you purchase services or intangible personal property from a non-resident that is not a registrant and does not operate a business in Canada, you must remit the GST and QST payable on the services or property to us.

If the non-resident vendor is registered and the sale is deemed to have been made in Québec (that is, in Canada), you must remit the taxes to the vendor.

If you are a registrant and you acquired services or intangible personal property in the course of your commercial activities, you can claim an ITC and an ITR.

### NOTE

Special rules apply under the GST and QST systems to a financial institution that imports taxable property or services. For more information, refer to GST/HST Technical Information Bulletin B-095, *The Self-assessment Provisions of Section 218.01 and Subsection 218.1(1.2) for Financial Institutions (Import Rules)*. The bulletin is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

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## Returnable containers

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### Deposits on beverage containers

Generally, deposits on beverage containers are not GST- or QST-taxable. For more information, refer to GST/HST Technical Information Bulletin B-089, *Returnable Containers*. The bulletin is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

### Deposits on other returnable containers

Other returnable containers or packages, such as oil drums and helium or oxygen cylinders, are generally considered to be part of the goods they contain, and the taxes apply to the container or package in the same way as they do to its contents. For example, a container filled with medical oxygen is zero-rated, because medical oxygen is zero-rated; if sold empty, such a container is subject to 5% GST<sup>49</sup> and 9.975% QST.

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49. In this paragraph, GST does not mean the HST.



When a container or package is returned to the supplier, it can be treated in one of two ways:

- The purchaser of the container or package is deemed to have resold it to the original supplier and, if registered, must collect GST and QST from the supplier. The supplier, if registered, can claim an ITC and an ITR for the taxes paid on repurchasing the container or package.
- The amount paid by the supplier on the return of the container or package is deemed a refund made by the supplier to the purchaser.

The supplier credits or refunds the purchaser for the GST and QST paid at the time of purchase and provides a credit or debit note. In addition, the supplier can deduct the GST and QST amounts credited or refunded in the calculation of the supplier's net tax for the period in which the note was provided. The purchaser must include those amounts in its net tax.

The supplier and purchaser can choose not to follow the refund rules listed above. In such a case, the supplier must refund the deposit paid on the package or container to the purchaser. However, the supplier does not have to refund the GST and QST paid at the time of purchase if both the supplier and purchaser are registrants and remitted the GST and QST to us or claimed an ITC and ITR for the GST and QST paid.

Where goods are sold in a container or package other than the one in which they are usually sold, and the package or container is sold with the goods as a single item, the following rules apply:

- If the package or container can be considered incidental to the goods, the GST and QST will apply to the package or container if the taxes apply to the contents (excluding zero-rated goods).
- If the package or container cannot be considered incidental to the goods, it is subject to GST and QST separately from its contents. In this case, the taxes must be collected on the portion of the sale price that pertains to the package or container.

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## Vending machines

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The sale of goods and services from vending machines is subject to 5% GST<sup>50</sup> and 9.975% QST. This includes products such as milk and fruits that are usually zero-rated.

The price of goods and services sold in vending machines generally includes GST and QST, which are considered to have been paid at the time of sale. However, you must take into account the taxes for the reporting period that includes the day the money is removed from the machine.

You must calculate the taxes on the money collected from the vending machine. The QST is calculated by multiplying the amount collected by 9.975/114.975. GST is calculated by multiplying the amount collected by 5/114.975.

### Example

You remove \$100 (GST and QST included) from your vending machine. To determine the QST collected, do the following calculation:  $\$100 \times 9.975/114.975 = \$8.68$ .

To determine the GST collected, do the following calculation:  $\$100 \times 5/114.975 = \$4.35$ .



Vending-machine operators do not have to calculate GST and QST on sales made through mechanical coin-operated devices that accept only a single coin of \$0.25 or less for each transaction.

The right to use a washing machine or clothes dryer located in a common area of a residential complex is exempt from GST and QST.

## Bad debts

If you write off an amount as a bad debt, the GST and QST already reported and remitted on the amount can be recovered through an adjustment on your GST return and QST return. The debt must be owed by a person dealing at arm's length with you. The adjustment must be made on a return filed within four years after the deadline for filing the return for the reporting period in which the bad debt was written off.

Certain requirements must be met for a debt to be deemed a bad debt under the GST and QST systems. For example, efforts must have been made to recover the debt and the debt must be written off the books of account. You must also keep the supporting documents respecting the bad debt. For more information, refer to the current version of interpretation bulletin TVQ. 444-1, *Bad debts*.

For sales that are not taken into account using the Quick Method, you can make an adjustment on your GST return and QST return to recover the taxes you remitted in relation to a bad debt.

### Example

You provide a service to a customer and bill him for a total amount of \$149.46 (\$129.99 + \$6.50 GST<sup>51</sup> + \$12.97 QST).

You remit the full amount of the taxes to us, but the purchaser pays you only \$30.

You write off the rest of the amount as a bad debt. You can make GST and QST adjustments on your returns, calculated as follows:

$$\text{GST adjustment: } \frac{\$6.50 \times (\$149.46 - \$30)}{\$149.46} = \$5.20$$

$$\text{QST adjustment: } \frac{\$12.97 \times (\$149.46 - \$30)}{\$149.46} = \$10.37$$

A month later, you receive a payment of \$60 on the \$119.46 that you wrote off as a bad debt. You must therefore calculate and remit the GST and QST applicable to the \$60 payment.

$$\text{GST remittance: } \frac{\$60 \times \$6.50}{\$149.46} = \$2.61$$

$$\text{QST remittance: } \frac{\$60 \times \$12.97}{\$149.46} = \$5.21$$

51. In this example, GST does not mean the HST.



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## Sales of real property

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Registrant and non-registrant vendors of taxable real property must collect the GST or the QST, except in the following situations:

- The vendor does not reside in Canada (or Québec, for QST purposes). Note that a non-resident with a permanent establishment in Canada (or Québec, for QST purposes) is not considered a resident for the application of this rule.
- The purchaser is a registrant. If the purchaser is also an individual, the real property must not be a residential complex or a cemetery plot or place of burial, entombment or deposit of human remains or ashes.

In both of these situations, the purchaser must remit the GST and QST to us. Purchasers that are registrants and that intend to use the real property primarily (more than 50%) in commercial activities must remit the taxes at the time of filing their regular return. Registrants that do not intend to use the real property primarily (more than 50%) in commercial activities and non-registrants must enclose the payments with form FP-505-V, *Special-Purpose Return*, and form FP-505.D.A-V, *GST/HST–QST Return Respecting the Acquisition of a Taxable Immovable*.

Registrants that use a combined GST–QST return must complete, on form FP-500-V, *Detailed Calculations*, the section entitled “Statement respecting real property, immovables or imported supplies.” Registrants that use a GST return must also complete the section entitled “Statement respecting real property or imported supplies” on form FPZ-34.CD-V, *Detailed GST/HST Calculation*. Registrants that use a QST return must also complete the section entitled “Statement respecting immovables” on form VDZ-471.CD-V, *Detailed QST Calculation*. These forms must be filed together with the regular return.

If the purchaser is a registrant and intends to use the real property primarily (more than 50%) in commercial activities, the GST and QST must be remitted to us on or before the day on which the purchaser is required to file the return for the reporting period during which the GST and QST become payable. In all other cases, the purchaser must remit the taxes on or before the last day of the calendar month that follows the month during which the GST and QST were payable.

If, upon completing a GST and QST return, the purchaser finds that it is entitled to a refund, the purchaser can use the amount of the refund to offset the tax payable on the real property.

A vendor that is not a registrant can claim a refund if the vendor was unable to recover the taxes paid on the purchase of real property or improvements to it. For GST purposes, the vendor must file form FP-189-V, *General GST/HST Rebate Application*. For QST purposes, the vendor must file form VD-403-V, *General Application for a Québec Sales Tax (QST) Rebate*.

A purchaser that pays GST or QST to the vendor, when in fact the purchaser was required to pay the taxes to us, must request a refund of the tax from the vendor. If the vendor does not refund the amount requested, the purchaser must still remit the taxes to us as explained above, but can apply for a refund of the tax paid in error to the vendor. To apply for a refund of the GST, the purchaser must file form FP-189-V. For a refund of the QST, the purchaser must file form VD-403-V. The purchaser generally has two years after the date of payment of the tax to apply for a refund.



## Self-supply of a residential complex

Builders that rent or occupy a residential complex that they have built must generally pay GST and QST on the FMV of the complex.

A builder is generally a person that is in the business of constructing or substantially renovating a residential complex on land that the person owns or leases. A builder also includes:

- a supplier of a mobile home or floating home before the home has been used or occupied by any individual as a place of residence;
- a person that purchases an unoccupied new residential complex for the purpose of reselling or leasing it to be used in the course of a business or an adventure or concern in the nature of trade;
- a person that acquires an interest in a residential complex while it is under construction or substantial renovation;
- a person that converts a commercial complex into a residential complex.

An individual who constructs or substantially renovates a residential complex otherwise than for use in the course of a business or an adventure or concern in the nature of trade is not considered a builder.

Builders that rent or occupy a residential complex that they have built are deemed to have sold and repurchased the complex on the later of the following dates:

- the date on which the work is substantially completed; or
- the date on which possession of the complex is transferred to the lessee or the complex is occupied by the builder as a residence (if the builder is an individual).

A builder is required to report and remit the taxes calculated on the FMV of the complex. Non-registrant builders must enclose their GST and QST remittances with form FP-505.2-V, *GST/HST and QST Return for the Self-Supply of a Residential Complex*. Registrant builders must remit the taxes at the time of filing their regular return.

Where the taxes become payable on a residential complex that is new or has been substantially renovated and that is leased or occupied as a place of residence by the builder before it is sold, any subsequent sale of the property is exempt from the GST and QST.

A registrant builder is generally entitled to ITCs and ITRs on costs incurred in relation to the construction of a residential complex. If the builder is not a registrant, a rebate of the GST or QST related to acquisition and construction costs can be claimed once the self-supply has occurred. A GST rebate claim must be filed using form FP-189-V, *General GST/HST Rebate Application*, and a QST rebate claim must be filed using form VD-403-V, *General Application for a Québec Sales Tax (QST) Rebate*.



The following builders are generally excluded from the self-supply rules:

- individuals (or individuals related to them) who occupy a residential complex primarily (more than 50%) as their place of residence, provided the individuals have not used the complex primarily (more than 50%) for any other purpose between the time the work is substantially completed and the time the complex is occupied primarily (more than 50%) as a place of residence, and have not claimed any ITCs or ITRs in respect of the acquisition of or improvements to the complex;
- universities, public colleges and school authorities that commission the construction of student residences;
- certain religious communal organizations; and
- a registrant that constructs residential complexes at remote work sites for employees or subcontractors of the registrant, if the registrant has elected not to have the rules apply.

## **New housing and rental property rebates**

Purchasers of a new residential complex can claim a rebate of the GST and the QST. In order for the purchaser to claim the rebate, the complex must be used as the purchaser's principal place of residence, or as the principal place of residence of a former spouse or an individual related to the purchaser. The individual in question must be the first occupant of the new complex.

For a residential complex whose purchase price is \$350,000 or less, the GST rebate is 36% of the tax paid on the purchase price, but may not exceed \$6,300. The amount of the rebate is progressively reduced if the purchase price is more than \$350,000 but less than \$450,000. No rebate may be claimed if the purchase price is \$450,000 or more.

For QST purposes, the rebate granted is 50% of the QST paid. The maximum rebate, which is 50% of the QST paid on a complex whose purchase price is \$200,000, is \$9,975. The amount of the rebate is progressively reduced if the purchase price is more than \$200,000 but less than \$300,000. No rebate can be claimed if the purchase price is \$300,000 or more.

The new housing rebate must be claimed using form FP-2190.A-V, *GST-QST New Housing Rebate Application: Owner of a New Home and Land Purchased from the Same Builder*.

In certain cases, the builder credits or pays the rebate directly to the purchaser at the time of purchase. If this is the case, the builder and the purchaser must complete form FP-2190.C-V, *GST-QST New Housing Rebate Application: Rebate Granted by a Builder*. The builder must then report the amount of the rebate paid or credited in the GST and QST returns for the reporting period in which the rebate was paid or credited. The builder must enclose the rebate application with the returns for the reporting period in which the sale occurred.

Under certain conditions, home owners who build or substantially renovate their own housing or individuals who purchase shares of the capital stock of a cooperative housing corporation (housing co-op), a condominium unit, a mobile home or a floating home may also be entitled to a rebate.

The purchaser of a new residential rental property can claim a rebate of the GST and QST paid to the builder, provided the residential units are subsequently leased on a long-term basis to individuals as their place of residence. The rebate can also be claimed by the builder of a new residential rental property that is required to pay the taxes on the FMV of the property under the self-supply rules (see previous section).



The GST rebate is 36% of the GST paid for each qualifying residential unit, but cannot exceed \$6,300. The QST rebate is 36% of the QST paid for each qualifying residential unit, but cannot exceed \$7,182.

To claim the new residential rental property GST<sup>52</sup> rebate, file form FP-524-V, *New Residential Rental Property GST Rebate Application*, together with form FP-525-V, *New Residential Rental Property GST Rebate Application Supplement – Multiple Units*, where applicable. To claim the new residential rental property QST rebate, file form VD-370.67-V or VD-370.89-V, *New Residential Rental Property QST Rebate*. Non-registrants must claim the rebate by filing the applications directly with us. Registrants can deduct the amount of the rebate from the taxes payable, in which case they must enclose the rebate application with their GST and QST returns.

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## Employee benefits

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Although salaries, wages, commission, tips and other types of remuneration are not subject to GST or QST, other forms of compensation provided to employees, commonly referred to as “taxable benefits,” may be subject to the two taxes.

Employers that are registrants must pay GST and QST on certain benefits granted to employees if the benefits consist of taxable (excluding zero-rated) goods or services made available to employees and if all or a portion of the value of the benefits (including the GST and QST, as applicable) is to be included in the calculation of the employees’ taxable income. The GST and QST must also be included in calculating the employer’s net tax.

Employers are not required to pay the taxes if they are not eligible for an ITC or ITR for the goods or services. Under the QST system, this exemption also covers goods and services that are subject to the ITR restrictions for large businesses (see “Restrictions on ITRs for large businesses” on page 25).

Taxable employee benefits on which employers must remit GST and QST include:

- personal use of an automobile owned or leased by the employer;
- room and board;
- non-monetary bonuses;
- use of frequent-flyer points;
- gifts valued at more than \$500.

For more information, refer to *Taxable Benefits* (IN-253-V). You can also consult the *Employers’ Guide – Taxable Benefits and Allowances* (T4130), which is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

The amounts of GST<sup>52</sup> and QST that the employer must remit for taxable benefits unrelated to automobile operating costs are 4/104 (for GST) and 9.975/109.975 (for QST) of the total value<sup>53</sup> of the benefit. The total value of the benefit is the sum of the reported benefits (including GST and QST) and the amounts reimbursed by the employee with respect to stand-by charges and operating costs related to an automobile. Where the taxable benefits are related to automobile operating costs, the amounts of tax that the employer must remit are equal to the prescribed percentages of 3% for GST and 6% for QST.

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52. In this paragraph, GST does not mean the HST.

53. In legislation, the term used is “consideration.”



The table below provides the rates and tax fractions that apply to taxable benefits.

<b>Taxable benefits</b>	<b>GST<sup>54</sup></b>	<b>QST</b>
Benefits related to automobile operating costs	3%	6%
Other benefits	4/104	9.975/109.975

In certain cases, property purchased or leased for the purpose of providing taxable employee benefits is subject to ITC and ITR restrictions. For example, an employer may not claim ITCs or ITRs in respect of goods or services acquired exclusively (90% or more) for an employee's personal use or consumption (such as membership in a fitness club). In such cases, the employer is not required to pay GST or QST on the taxable benefit granted to the employee. Under the QST system, this exemption also covers goods and services that are subject to the ITR restrictions for large businesses.

As a rule, the GST and QST calculated on taxable employee benefits are due once a year, on the last day of February. This is the deadline for calculating employee benefits for income tax purposes and for issuing T4 and RL-1 slips. The total value of the benefits reported on an employee's T4 and RL-1 slips includes the GST and QST applicable to the taxable benefits received.

The GST and QST payable must be reported on the appropriate return for the reporting period including the last day of February of the year following the taxation year in which the benefits were granted.

If the last establishment where the employee worked is located in a participating province, the HST rates may apply. For more information, refer to GST/HST memoranda 9.1, *Taxable Benefits (Other than Automobile Benefits)*, and 9.2, *Automobile Benefits*. The documents are published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).



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## Expenses incurred by employees, partners and volunteers

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Allowances (such as travel allowances) and reimbursements paid to employees, members of a partnership or volunteers may entitle a registrant to ITRs and ITCs.

An “allowance” is a periodic payment or other payment that employees receive from their employer, that partners receive from the partnership of which they are members, or that volunteers receive from the charity or public institution to which they give of their time, and that is used to pay certain expenses without the recipient having to account for how the amount is spent.

A “reimbursement” is any amount that an employee, a partner or a volunteer receives (in addition to any salary, wages or other remuneration they may receive). The recipient must prove that he or she incurred the expenses in the course of the activities of the employer, partnership, charity or public institution.

### Allowances

GST registrants can claim an ITC if they pay an allowance to an employee<sup>55</sup> to defray reasonable expenses that were incurred in Canada for activities carried on by the registrants. At least 90% of the expenses must be taxable expenses (excluding zero-rated expenses). However, the allowance must be deductible (in whole or in part) in the calculation of the registrant’s income for income tax purposes.

Employers<sup>56</sup> can claim an ITC to recover the GST paid on expenses that would have been recoverable in the form of an ITC had the expenses been incurred directly by the employers. The ITC is equal to 5/105 of the allowance paid, taking into account (where applicable) the restrictions on expenses incurred for meals and entertainment (refer to “Meal and entertainment expenses” on page 83).

QST registrants can claim an ITR equal to 9.975/109.975 of the allowance paid to an employee<sup>55</sup> for expenses incurred in Québec on which QST was paid, provided the allowance is deductible (in whole or in part) in the calculation of the registrants’ income for income tax purposes. Employers<sup>56</sup> can claim an ITR to recover the QST paid on expenses that would have given entitlement to an ITR had the expenses been incurred directly by the employer.

Until December 31, 2017, large businesses cannot claim ITRs for allowances paid for expenses subject to the ITR restrictions. Beginning on January 1, 2018, large businesses can claim only a portion of their ITR for these allowances because the ITR restrictions are being phased out (see “Restrictions on ITRs for large businesses” on page 25).

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55. This is the most common situation, but allowances can also be paid to partners or volunteers working for a charity or public institution.

56. The same applies to partnerships, charities and public institutions.



ITCs and ITRs for expense allowances		
Examples of allowance categories	Large businesses	Small and medium-sized businesses
Meals	ITC = 5/105 of the allowance, subject to the applicable restrictions No ITR (restriction for large businesses)	ITC = 5/105 of the allowance, subject to the applicable restrictions ITR = 9.975/109.975 of the allowance, subject to the applicable restrictions
Kilometres travelled	ITC = 5/105 of the allowance No ITR (restriction for large businesses)	ITC = 5/105 of the allowance ITR = 9.975/109.975 of the allowance
Lodging	ITC = 5/105 of the allowance ITR = 9.975/109.975 of the allowance	ITC = 5/105 of the allowance ITR = 9.975/109.975 of the allowance
Transportation (train, bus or airplane)	ITC = 5/105 of the allowance ITR = 9.975/109.975 of the allowance	ITC = 5/105 of the allowance ITR = 9.975/109.975 of the allowance

For the tax fractions applicable to allowances paid for expenses incurred in a participating province, refer to GST/HST memorandum 9.3, *Allowances*. The document is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

## Reimbursements

Registered employers, partnerships, charities and public institutions that reimburse expenses incurred by an employee, partner or volunteer are entitled to an ITC and an ITR equal to the GST and QST paid on the expenses.

They can choose either of the following methods to determine the ITC and ITR to which they are entitled with respect to a reimbursement of expenses incurred in Canada (for GST purposes<sup>57</sup>) or in Québec (for QST purposes):

- **First method.** The persons can claim an ITC equal to 4/104 of the total amount reimbursed and an ITR equal to 9/109 of the total amount reimbursed. This method, referred to as the “factor method,” can be used if at least 90% of the expenses reimbursed were taxable (excluding zero-rated expenses) and the expenses were incurred in Canada (or in Québec, for QST purposes).
- **Second method.** The persons can calculate the actual amount of GST and QST paid on expenses that they reimbursed and that were incurred in Canada (or in Québec, for QST purposes) during the reporting period in question. Under this method, the GST or QST paid by the employee, partner or volunteer is multiplied by the lesser of the following amounts:
  - the percentage of the cost that is reimbursed (that is, the reimbursement divided by the cost); or
  - the proportion in which the good or service is used in the commercial activities.



### Example

Daniel incurs expenses of \$574.88 exclusively in the course of his commercial activities (\$500 plus \$25 GST<sup>58</sup> and \$49.88 QST). His employer reimburses him for the expenses.

The employer can claim an ITC equal to the lesser of the following amounts:

$$\frac{\$25 \times \$574.88}{\$574.88} = \$25$$

**or**  $\$25 \times 100\% = \$25$

The employer can therefore claim an ITC of \$25.

The employer can also claim an ITR equal to the lesser of the following amounts:

$$\frac{\$49.88 \times \$574.88}{\$574.88} = \$49.88$$

**or**  $\$49.88 \times 100\% = \$49.88$

The employer can therefore claim an ITR of \$49.88.

The method chosen for each expense category (transportation or lodging, for example) must be applied consistently for the entire fiscal year. In most cases, registrants must also take into account the restrictions on meal and entertainment expenses. Registrants that opt for the second method above must have in their possession the documents and information necessary to claim the ITC or ITR.

Until December 31, 2017, large businesses must take into account the ITR restrictions. Beginning on January 1, 2018, large businesses can claim only a portion of their ITR for expenses incurred by an employee because the ITR restrictions are being phased out (see "Restrictions on ITRs for large businesses" on page 25).

Where registrants opt for the first method above, the requirements for documents and information are less strict; however, they must keep adequate registers and books of account and retain certain information on each reimbursement to employees, partners or volunteers.

Either of the methods of calculation described under "Meal and entertainment expenses" on page 83 can be used to calculate ITCs and ITRs with respect to meals and entertainment.

58. In this example, GST does not mean the HST.



ITCs and ITRs for expense reimbursements				
Examples of expense categories	Large businesses		Small and medium-sized businesses	
	Actual amount of QST and GST paid	Factor method	Actual amount of QST and GST paid	Factor method
Meals	ITC = GST paid, subject to the applicable restrictions  No ITR (restriction for large businesses)	ITC = 4/104 of the reimbursement, subject to the applicable restrictions  No ITR (restriction for large businesses)	ITC = GST paid, subject to the applicable restrictions  ITR = QST paid, subject to the applicable restrictions	ITC = 4/104 of the reimbursement, subject to the applicable restrictions  ITR = 9/109 of the reimbursement, subject to the applicable restrictions
Lodging	ITC = GST paid  ITR = QST paid	ITC = 4/104 of the reimbursement  ITR = 9/109 of the reimbursement	ITC = GST paid  ITR = QST paid	ITC = 4/104 of the reimbursement  ITR = 9/109 of the reimbursement
Transportation (train, bus or airplane)	ITC = GST paid  ITR = QST paid	ITC = 4/104 of the reimbursement  ITR = 9/109 of the reimbursement	ITC = GST paid  ITR = QST paid	ITC = 4/104 of the reimbursement  ITR = 9/109 of the reimbursement
Automobile rental	ITC = GST paid  No ITR (restriction for large businesses)	ITC = 4/104 of the reimbursement  No ITR (restriction for large businesses)	ITC = GST paid  ITR = QST paid	ITC = 4/104 of the reimbursement  ITR = 9/109 of the reimbursement

To find out the factor method rates that apply if all or substantially all expenses were incurred in a participating province, refer to GST/HST memorandum 9.4, *Reimbursements*. The document is published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).

## GST and QST rebates payable to employees and partners

In some cases, employees or partners may not receive a reasonable allowance or a reimbursement to cover all the expenses they incur. They may also be required to report an allowance as income. In either of these situations, employees or partners may recover the GST they paid on expenses incurred in the course of their employment or partnership activities. The rebate is available to employees of registrant employers and partners in registrant partnerships even if the employees or partners deduct the employment or partnership expenses in their income tax return.

The rebate, which is equal to 5/105 of the allowable expenses, must be claimed using form GST370, *Employee and Partner GST/HST Rebate Application*. The form must be filed within four years after the end of the year to which the expenses apply. Allowable expenses include travel expenses and meal expenses.

Under the QST system, employees and partners may also be entitled to a rebate of the QST corresponding to 9.975/109.975 of the allowable expenses incurred. The rebate must be claimed using form VD-358-V, *Québec Sales Tax Rebate for Employees and Partners*.



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## Meal and entertainment expenses

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Registrants can claim ITCs and ITRs to recover the GST and QST paid on meal and entertainment expenses. The calculation of ITCs and ITRs for such expenses is subject to the restrictions set forth in the *Income Tax Act* and the *Taxation Act*.

Meal and entertainment expenses are generally 50% deductible. Accordingly, ITCs and ITRs can be claimed for half of the GST and QST paid on such expenses. You can choose one of the following calculation methods:

- You can claim 100% of the GST and QST paid on meal and entertainment expenses incurred in a given fiscal year. If you file annual returns, you must include 50% of the ITC and ITR claimed as an adjustment to the calculation of your net tax payable for the fiscal year. If you file monthly or quarterly returns, you must include 50% of the ITC and ITR claimed in the calculation of your net tax payable for the first reporting period immediately after the end of the fiscal year.
- You can claim 50% of the GST and QST actually paid on meal and entertainment expenses during your reporting period. If you opt for this method, you do not have to make a 50% adjustment at the end of the fiscal year.

You can claim ITCs and ITRs for the GST and QST you reimbursed to employees or partners for meal and entertainment expenses they incurred in Canada. However, these expenses are subject to a limit of 50%. No ITRs can be claimed for expenses exceeding the limits in the table below.

Sales	Limit
\$32,500 or less	2% of sales
More than \$32,500 but less than \$52,000	\$650
\$52,000 or more	1.25% of sales

### NOTE

Special rules apply to ITCs and ITRs claimed for the meal expenses of truck drivers.

Registrant public institutions and charities can claim ITCs and ITRs to recover all of the GST and QST paid on meals and entertainment related to their commercial activities.



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## Refund of the GST on printed books

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Certain persons are entitled to a full refund of the GST they pay on the purchase of printed books, audio recordings of printed books, and printed versions of the scriptures of any religion, provided these documents are not purchased for sale.

The following persons qualify for the GST refund on printed books: municipalities; school authorities; universities and public colleges; and charities, public institutions and qualifying NPOs that operate a public lending library. Prescribed charities and NPOs whose primary purpose (more than 50%) is the promotion of literacy also qualify; they must apply to the CRA in order to be considered "prescribed." Such persons also qualify for the refund if they purchase books for the purpose of donating them.

To claim the refund, you must complete form FPZ-66-V, *GST/HST Rebate Application for Public Service Bodies*. A refund application must be filed within four years following the end of the reporting period during which the GST became payable.

There is no such refund under the QST system because printed books with an international standard book number (ISBN) are zero-rated for QST purposes.



# KEEPING REGISTERS, BOOKS OF ACCOUNT AND SUPPORTING DOCUMENTS

As soon as you are required to register for the GST and the QST, you must begin keeping track of the GST and QST you collect as a supplier, and of the GST and QST you pay on purchases made in the course of your commercial activities.

If you carry on a business, or are required to deduct, withhold or collect an amount under a fiscal law, you must keep adequate registers, books of account and supporting documents, including an annual inventory. Your registers and books of account must show, for example, the amounts of GST and QST that you charged and the amounts that you paid or are required to pay. This will enable you to determine the amount of your remittance or refund when you file your returns, and will assist us in our audits.

You are required to keep all supporting documents substantiating the information contained in your registers and books of account. In addition, invoices must show your supplier's name or business name, the billing date and any other information required to justify your claims for ITCs and ITRs (refer to the table on page 20). All documents must be kept at your place of business, your residence, or any other place we designate.

Registers and supporting documents can be on paper, electronic media or microfilm. However, your documents must meet certain standards. For more information, refer to the current version of interpretation bulletin LMR. 34-1, *Retention and Destruction of Registers and Supporting Documents*.

For auditing purposes, you must generally keep registers and books of account for six years after the end of the last year to which they apply, or longer if you have filed a notice of objection or if you are involved in litigation with Revenu Québec. Failure to comply with this requirement is a penal offence, unless you have obtained written authorization from us to dispose of documents before the date prescribed by law.



# REVENU QUÉBEC AUDITS

Your business may be subject to a tax audit in order to:

- ensure that it has met its fiscal obligations under the laws we administer;
- provide you with the information you need in order for your business to meet its fiscal obligations;
- make any necessary adjustments, including refunds.

We usually conduct an audit at your business's main establishment. The auditor will call you to set a date for the audit. The scope and duration of the audit depend on factors such as the size of the business, the reliability of the accounting system, the documents available, and the speed with which you provide the requested information to the auditor.

However, audits are sometimes conducted at our offices. In this case, the auditors will ask you to submit the necessary documents.

A duly authorized employee of Revenu Québec may, at any reasonable time, enter the premises where a business is operated, property is kept, commercial activities are carried on, or registers and books of account are (or should be) kept, but may not enter a residence without the consent of the occupant. The employee may examine the registers, books of account, supporting documents, letters and any other document pertaining to:

- information that is (or should be) contained in the registers, books of account or supporting documents;
- amounts that must be paid, deducted, withheld or collected under a fiscal law.

The employee may also examine the property described in an inventory or any property, process or matter that the employee considers relevant to determining the accuracy of the inventory. The employee can also use any computer, equipment or other thing that is on the premises to access data contained in an electronic device, computer system or other medium to examine such data.

The Revenu Québec employee may also require any person connected with the business (including the owner or manager of the business or of the premises on which the business's property is kept, or any other person present on the premises) to provide all reasonable assistance necessary to carry out the audit. Moreover, the employee may oblige the owner or manager to accompany him or her on the premises. If asked, the employee must state his or her name and present the document attesting that he or she is duly authorized by Revenu Québec.

For more information, refer to *Tax Audits* (IN-135-V), which is available on our website at [revenuquebec.ca](http://revenuquebec.ca).



# ELECTIONS AND APPLICATIONS CONCERNING THE ADMINISTRATION OF THE GST AND QST

Businesses and organizations can simplify administration of the GST and QST by making various elections or applications, depending on the type of activity they carry on. To make an election or application, they must meet certain conditions and complete the required form (where applicable).

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## **Elections concerning the administration of the GST and QST**

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Once you make an election, it remains in effect:

- as long as you meet the requirements;
- until you cancel it; or
- until you make another election.

As a rule, an election must remain in force for a minimum of one year before it can be cancelled.

In certain cases, you are not required to inform us of your election with respect to a given situation. However, you must keep in your registers and books of account a copy of the duly completed election form, or a statement containing certain prescribed information.

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## **Applications concerning the administration of the GST and QST**

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You cannot begin to use the method of administration you chose until you receive a notice from us certifying that your application has been accepted.

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## **List of elections and applications**

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Listed below are the titles and numbers of the forms for making elections and applications. You can obtain the forms on our website at [revenuquebec.ca](http://revenuquebec.ca), order them online, or order them by telephone at one of the numbers listed at the end of this document. You must submit certain applications in the form of a letter.



The following elections and applications are available to **most registrants** and, unless otherwise indicated, must be filed with us:

- *Election or Revocation of an Election Respecting a GST/HST and QST Fiscal Year* (FP-670-V). This election must be made at the time of registration or by the effective date of the election or revocation of the election.
- *Election Respecting the GST/HST and QST Reporting Period* (FP-2620-V). This election can be made at the time of registration for the GST and QST.
- *Notification of Fiscal Quarters and Fiscal Months and Application for Approval to Extend or Shorten Fiscal Months* (FP-671-V)
- *Application or Revocation of Application to File Separate Returns or Rebate Applications* (FP-2010-V). This application enables businesses that carry on commercial activities in more than one branch or division to file a separate return for each of them.
- *Election Respecting the Acquisition of a Business or Part of a Business* (FP-2044-V)
- *Election to Treat a Sale of Real Property (an Immovable) as a Taxable Sale* (FP-2022-V)
- *Request for Cancellation or Variation of Registration* (LM-1.A-V)
- *Election or Revocation of Election Respecting the Quick Method of Accounting* (FP-2074-V). This election can be made at the time of registration for the GST and QST.
- *Election or Revocation of an Election by a Principal and the Principal's Agent: Responsibility for Collecting, Reporting and Remitting the GST/HST and the QST* (FP-2506-V)<sup>59</sup>
- *Election to Have the Operator of a Joint Venture File GST/HST and QST Returns, or Revocation of Such an Election* (FP-621-V)<sup>59</sup>
- *Election or Revocation of an Election by an Organization to Make the Supply of Its Courses, Examinations and Certificates Taxable* (FP-2029-V)<sup>59</sup>
- *Election Respecting the Use of a Passenger Vehicle or an Aircraft in Non-Commercial Activities* (FP-2030-V)<sup>59</sup>
- *Declaration of a Transaction Between Related Individuals with Regard to a Road Vehicle Registered in Québec* (VD-80.1-V). This application is to be used by an individual in order to avoid having to pay the QST on a vehicle supplied by way of gift to another related individual. As a rule, the GST does not apply in such cases. The form must be filed with the Société de l'assurance automobile du Québec at the time registration is transferred.
- *Election Respecting the Self-Supply of a Residential Complex* (VD-224.1-V). This election can only be made under the QST system.
- *Election Concerning the Provision of a Residence or Lodging at a Remote Work Site* (GST17)<sup>59</sup>

The following applications must be sent to us in the form of a letter:

- Application for designated reporting periods (This application can be made at the time of registration.)
- Application to use the alternate collection method (direct-selling sector)
- Joint application to use the alternate collection method (direct-selling sector)
- Application for approval to use the network sellers method for a network reseller
- Application for designation of a buying group
- Application for designation of a barter exchange network

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59. Do not file this form with us. However, it must be kept in the records of the person(s) concerned.



The following elections and applications are available only to **public sector bodies** (that is, governments and public service bodies) and, unless otherwise indicated, must be filed with us:

- *Application by a Public Service Body to Have Branches or Divisions Designated as Small-Supplier Divisions* (FP-631-V)
- *Application or Revocation of Application to File Separate Returns or Rebate Applications* (FP-2010-V). This application enables qualifying public service bodies that carry on commercial activities in more than one branch or division to file a separate rebate application for each of them.
- *Election by a Public Service Body to Use the Special Quick Method of Accounting or Revocation of the Election* (FP-2287-V)
- *Election or Revocation of an Election Not to Use the Net Tax Calculation for Charities* (FP-2488-V)
- *Election by a Public Sector Body To Have Its Exempt Memberships Treated as Taxable Supplies or Revocation of Such an Election* (FP-623-V)<sup>60</sup>
- *Election and Revocation of the Election to Tax Memberships in a Professional Organization* (FP-2018-V).<sup>60</sup> This election enables a professional organization to have its otherwise tax-exempt memberships treated as taxable.
- *Election or Revocation of the Election by a Public Service Body to Have an Exempt Supply of Real Property (an Immovable) Treated as a Taxable Supply* (FP-2626-V)
- *Application by an Unincorporated Organization to Be Considered a Branch of Another Unincorporated Organization* (FP-632-V)

The following elections and applications are available only to **corporations** and **financial institutions** and must be filed with us:

- *Election or Revocation of an Election to Have Certain Taxable Supplies Made Between Specified Members of a Qualifying Group Deemed Made for No Consideration* (FP-4616-V)
- *Application to Offset the GST/HST by a GST/HST Refund or Rebate* (FP-303-V) for GST purposes; *Application to Offset the QST by a QST Refund or Rebate* (VD-442.S-V) for QST purposes
- *Election or Revocation of the Election to Have Certain Supplies Made Between Members of a Closely Related Group That Includes a Listed Financial Institution Treated as Supplies of Financial Services* (FP-2027-V)

It is not necessary to file a form for the following elections:

- election to use the simplified method for calculating ITCs and ITRs
- election to use the simplified method for calculating rebates
- election to use the part of a patronage dividend that is attributable to taxable property and services for purposes of GST adjustments
- election not to use a patronage dividend for purposes of price adjustments
- election concerning the sale of the business property of a deceased person

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60. Do not file this form with us. However, it must be kept in the records of the person(s) concerned.



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## Description of general applications and elections

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The most frequent applications and elections for which a form must be completed and, unless otherwise indicated, filed with us are described below.

- *Election or Revocation of an Election Respecting a GST/HST and QST Fiscal Year* (FP-670-V)

Registrants can elect to have their fiscal year for GST and QST purposes correspond to the calendar year. Likewise, an individual can elect to have his or her fiscal year for GST and QST purposes correspond to the fiscal period used for income tax purposes by a business the individual carries on. This election can be made at the time of registration.

- *Election Respecting the GST/HST and QST Reporting Period* (FP-2620-V)

Registrants can change the filing frequency we assigned or that they chose upon registration. A registrant (including all branches and divisions) must have the same reporting periods for GST and QST purposes.

- *Application or Revocation of Application to File Separate Returns or Rebate Applications* (FP-2010-V)

A registrant can file separate returns for each of its branches or divisions. An application to file separate returns is generally accepted if each branch or division is separately identifiable by its location or by the nature of its activities. Moreover, each branch or division must keep separate records and books of account, and have different accounting systems. The same requirements must be met to file separate rebate applications.

- *Election or Revocation of Election Respecting the Quick Method of Accounting* (FP-2074-V)

Small businesses can elect to use the Quick Method of Accounting to calculate the GST and QST they must remit. They can use this method if the total of their worldwide taxable sales for the year does not exceed \$400,000 (GST included) under the GST system or \$418,952 (QST included) under the QST system.

For more information, refer to “The Quick Method for calculating GST and QST remittances” on page 38.

- *Election Respecting the Acquisition of a Business or Part of a Business* (FP-2044-V)

If a person sells a business (or a part of a business) to a person and the person acquires, at the time of the sale, all or substantially all of the property that is considered necessary to the operation of the business (or part of the business), the persons can jointly elect not to charge GST or QST on the sale of the property. However, to make this election, the person acquiring the property must also be registered for the GST and the QST.

- *Request for Cancellation or Variation of Registration* (LM-1.A-V)

Persons who have ceased to operate one of their businesses can use this form to apply to have their GST and QST registration modified. Persons who no longer carry on commercial activities, as well as small suppliers who intend to continue carrying on their business, can also use this form to cancel their registration. However, applicants seeking to modify or cancel their registration must meet all the necessary requirements.

For more information, refer to “Cancelling your GST and QST registration” on page 93.

- *Election to Have the Operator of a Joint Venture File GST/HST and QST Returns, or Revocation of Such an Election* (FP-621-V)

A registrant that, by virtue of a written agreement with other participants, takes part in a joint venture (other than a partnership) involved in such activities as the exploration or development of mineral deposits, can jointly elect, with the other participants, to account for all GST and QST collected or paid during their joint commercial activities.

All of the participants in the joint venture are jointly and severally liable for all obligations pertaining to the GST and QST collected or paid during the activities carried out on their behalf by their representative.



## NOTE

You do not have to file the following form with us. Simply complete it and keep it on file for auditing purposes.

- *Election or Revocation of an Election to Have Certain Taxable Supplies Made Between Specified Members of a Qualifying Group Deemed Made for No Consideration (FP-4616-V)*

Where two or more registrants are members of a group of closely related Canadian corporations or partnerships and are engaged exclusively (90% or more) in making taxable sales, they may jointly elect to have taxable sales made to each other deemed to have been made for nil consideration.

This election does not apply to taxable sales of real property or to purchases made for non-commercial purposes.



# RECOURSE

If you believe that the amounts shown on a notice we sent you are incorrect, or if you are dissatisfied with the services we provided, you can use various means of recourse to obtain an explanation or to voice your dissatisfaction.

The first step is to call or visit us. Staff members are available to help you solve your problem. The vast majority of cases are settled at this stage.

If your concern or situation is not resolved, you can follow the prescribed procedure to file an objection or an appeal within certain deadlines. For more information, refer to *Recourse for Your Tax-Related Problems* (IN-106-V).

You can also contact the Bureau de la protection des droits de la clientele, which exists to serve clients who are not satisfied with a decision or service or feel their rights were not upheld. The Bureau ensures that all clients are treated fairly and are fully aware of their rights. For more information, refer to *Your Rights Are Our Priority!* (IN-602-V), which is available on our website.

## NOTE

Please note that filing a complaint with the Bureau de la protection des droits de la clientele is not a substitute for the other means of recourse available to you, and neither extends nor suspends the prescribed deadlines for the other means. Consequently, if you wish to file an objection or an appeal, you must do so within the prescribed time limit regardless of whether you have filed a complaint with the Bureau.

Finally, if you believe that you have been treated unfairly, you can contact the Québec Ombudsman, which is authorized to investigate all complaints relating to government activities.



# CANCELLING YOUR GST AND QST REGISTRATION

We may cancel your registration for the GST and the QST if we have determined that registration is no longer necessary. In such a case, we will send you a written notice specifying the date on which cancellation becomes effective. The following are some of the situations in which registration may be cancelled:

- The registrant is a small supplier.
- An individual or an organization that is not a corporation ceases to carry on commercial activities, or sells the business. The registered entity therefore ceases to exist.
- An individual dies.
- A partnership is dissolved.
- An organization that is a legal person ceases to exist.
- A person's legal status changes.
- A person ceases to come to Canada (or to Québec, for QST purposes) to sell taxable admissions.
- A person ceases to carry on a commercial activity in Canada (or in Québec, for QST purposes). For example, a person can cease to make taxable sales, but continue to carry on a business that makes exempt sales.

## NOTE

You must inform us of any other circumstances that would require your registration to be cancelled or varied.

You must request cancellation of your registration using form LM-1.A-V, *Request for Cancellation or Variation of Registration*. As a rule, cancellation of registration for the GST and the QST must be requested at the same time. In most cases, cancellation may come into effect as of the day on which registration is no longer necessary. If you are a small supplier, cancellation may take effect at any time, provided you have been registered for at least one year on the date on which cancellation of registration comes into effect.

The following small suppliers cannot cancel their registration:

- operators of a taxi or limousine business (GST and QST);
- non-resident performers who collect admissions in Canada (GST and QST);
- retail vendors of tobacco products (QST only);
- retail vendors of fuel (QST only);
- vendors of alcoholic beverages (QST only);
- vendors or long-term lessors of new tires (QST only);
- vendors or long-term lessors of road vehicles (QST only).

If you cease to be a registrant, you are deemed to have sold all property intended for consumption, use or sale in the course of your commercial activities. However, different rules apply to capital property, non-capital property, and rental services and property.

In the case of capital property, you are deemed to have ceased to use the property in the course of your commercial activities immediately before cancelling your registration and to have sold the property and collected the GST and QST. As a rule, the taxes are equal to the basic tax content of the property at the time of the change in use.



### Example

In September 2015, a GST and QST registrant bought office furniture at a cost of \$5,000, plus \$250 GST<sup>61</sup> and \$498.75 QST. Since the furniture is for use in commercial activities, the person can claim an ITC and an ITR for the taxes paid.

On June 30, 2017, the person cancelled its registration. The person still owns the furniture and is therefore considered to have sold it and collected the taxes immediately before cancelling the registration. On that date, the furniture's FMV was \$2,500 for both GST and QST purposes.

Calculation of taxes to be remitted		GST		QST
Taxes paid at time of acquisition		\$250.00		\$498.75
Taxes paid on improvements	+	\$0.00	+	\$0.00
Refund or rebate	-	\$0.00	-	\$0.00
<b>Subtotal</b>		<b>\$250.00</b>		<b>\$498.75</b>
FMV / Total acquisition cost of property and cost of improvements: \$2,500/(\$5,000 + \$0.00)	×	0.50	×	0.50
		<b>\$125.00</b>		<b>\$249.38</b>

These amounts of tax must be included in the calculation of the net tax payable for the person's last reporting period.

In the case of non-capital property, you are deemed to have sold the property for a price equal to its FMV immediately before you ceased to be a registrant and to have collected the GST and QST calculated on the FMV.

### Example

A person ceased to be a GST and QST registrant on April 30, 2017, and had an inventory of unsold computers with an FMV of \$8,000 for both GST and QST purposes.

GST and QST calculated on the FMV must be included in the net tax payable for the person's last reporting period as a registrant. The amount of the GST payable is \$400 (\$8,000 × 5%). The amount of the QST payable is \$798 (\$8,000 × 9.975%).

Where a service is being rendered or property is being leased over a period that extends beyond the date when you cease to be a registrant, you are entitled to an ITC and an ITR solely for the period during which you were a registrant. The amount of the taxes must be prorated.

### Example

On April 15, 2017, a person received an invoice for advertising services covering the period from April 15 through May 14, 2017. The cost of these services was \$500, including \$25 GST and \$49.88 QST. An ITC and an ITR were claimed for the taxes paid.

On May 1, 2017, the person ceased to be a registrant and must therefore add, to the net tax payable, the ITC and the ITR claimed for the portion of the advertising services attributable to the period after registration was cancelled. The amount of the GST payable is \$11.67 (\$25 × 14/30). The amount of the QST payable is \$23.28 (\$49.88 × 14/30).

61. In this and the next two examples, GST does not mean the HST.



# SERVICES OFFERED BY REVENU QUÉBEC

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## Online services

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Our website ([revenuquebec.ca](http://revenuquebec.ca)) contains a wealth of information about the Québec tax system and Revenu Québec itself, as well as the various guides, documents and forms that we publish.

You can use our online services to fulfil your tax obligations simply and efficiently. For example, you can view your tax file (returns, payments, refunds and statements of account) directly onscreen, and file your returns and make your payments online.

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## Client services

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You can contact us by telephone, by mail or in person to obtain information and answers to your questions, or have corrections made to your file. See our contact information at the end of this document and on our website.

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## GST and QST documents

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Our website at [revenuquebec.ca](http://revenuquebec.ca) has a wealth of useful documents on the GST and QST. You can also order these documents online or by telephone at one of the numbers reserved for inquiries concerning consumption taxes. The numbers are listed at the end of this document.

Some of our documents are listed below:

- *The QST and the GST/HST: How They Apply to Foods and Beverages* (IN-216-V)
- *The QST, the GST/HST and Road Vehicles* (IN-624-V)
- *The QST and the GST/HST: How They Apply to Non-Profit Organizations* (IN-229-V)
- *The QST and the GST/HST: How They Apply to Charities* (IN-228-V)
- *Tax on Lodging* (IN-260-V)
- *QST, GST/HST and Fuel Tax: How They Apply to Freight Carriers* (IN-218-V)
- *An Overview of the Fuel Tax Act* (IN-222-V)
- *An Overview of the Tobacco Tax Act* (IN-219-V)
- *Flea Markets* (IN-255-V)
- *The QST and the GST/HST: How They Apply to Medical Devices and Drugs* (IN-211-V)
- *The QST and the GST/HST: How They Apply to Residential Complexes (construction or renovation)* (IN-261-V)
- *Consumption Taxes and Producers of Alcoholic Beverages* (IN-263-V)
- *Directors' Liabilities* (IN-107-V)



## Tax News

**Tax News** is a collection of articles highlighting certain changes and particularities regarding the administration of tax laws. You can access the entire collection only on our website at [revenuquebec.ca](http://revenuquebec.ca).

Most **Tax News** articles focus on the GST and QST, other consumption taxes and income tax payable by individuals and corporations. Some of the articles contain information from *Excise and GST/HST News* (the quarterly newsletter published by the CRA), which we adapt to take the QST into account.

You can subscribe to the **Tax News** RSS feed, which provides access to articles as soon as they are published, or to the **Tax News** mailing list. Once you have signed up, you will receive a monthly email notifying you of the new articles published that month.

## GST documents

We distribute CRA documents intended to help you understand the application of the GST.

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### Other QST-related documents

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More detailed information concerning the QST is provided in the interpretation bulletins pertaining to the *Act respecting the Québec sales tax* and other legislation we administer. These documents are available on the Publications du Québec website at [publicationsduquebec.gouv.qc.ca](http://publicationsduquebec.gouv.qc.ca).

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### Other GST-related documents

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More detailed information is provided in GST/HST memoranda, GST/HST technical information bulletins and GST/HST info sheets. These documents are published by the CRA and available at [canada.ca/taxes](http://canada.ca/taxes).



# 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

418 659-6299

Montréal

514 864-6299

Elsewhere

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

418 659-4692

Montréal

514 873-4692

Elsewhere

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

418 652-6159

Elsewhere

1 800 827-6159 (toll-free)

### Individuals with a hearing impairment

Montréal

514 873-4455

Elsewhere

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 avec la clientèle des entreprises

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 entreprises

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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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