



Payment of the GST/HST by Quebec Government Entities

This info sheet explains when the goods and services tax (GST)/harmonized sales tax (HST) applies to taxable supplies of property and services made in Canada to Government of Quebec entities during the period that includes April 1, 2013.

Taxable supplies of property and services to Quebec government entities

Currently, most Quebec government entities (i.e. ministries and other provincial entities that are listed on Schedule A to the current *Canada-Quebec Reciprocal Taxation Agreement* (RTA)) do not pay the GST/ HST on taxable supplies of property or services where they provide exemption certificates or certification clauses requesting GST/HST relief at the point of sale.

Under the *Canada-Quebec Comprehensive Integrated Tax Coordination Agreement*, Quebec has agreed that, effective April 1, 2013, all Quebec government entities (including ministries, agencies, boards, commissions and Crown corporations) will pay GST/HST on the consideration paid or payable on taxable supplies of property or services they acquire.

Accordingly, suppliers who are GST/HST registrants will charge the GST or HST, as applicable, depending on the place of supply (i.e. the province in which the supply is made), on any consideration that becomes due, or is paid without becoming due, on or after April 1, 2013, in respect of taxable supplies of property or services made to Quebec government entities. In these cases, suppliers cannot rely on or accept any Crown funds exemption certificates or certification clauses requesting GST/HST relief at the point of sale.

Appendix A to this info sheet contains information on when an amount becomes due and when an amount is paid without having become due. Refer to Appendix B for a chart that summarizes the rules explained in this info sheet.

Application of the GST/HST to supplies made to Quebec government entities during the transition

Non-Schedule A entities

Quebec government entities that are currently paying GST/HST on the consideration for taxable supplies of property or services they acquire (e.g., commercial Crown corporations) will continue to pay the GST/HST on and after April 1, 2013.

Example 1

In March 2013, a Quebec Crown corporation, which is not listed on Schedule A to the RTA, pays for a photocopier that it ordered from a registered supplier, but the photocopier is not delivered and ownership is not transferred to the Quebec Crown corporation until May 2013. The photocopier is delivered by the supplier to the Crown corporation's office in Québec.

Since the Quebec Crown corporation is not listed on Schedule A to the RTA, the supply is subject to the GST/HST. Therefore, the supplier of the photocopier charges the GST on the consideration for the supply of the photocopier to the Quebec Crown corporation. The GST, rather than the HST, applies as the place of supply is Quebec.

Schedule A entities

Quebec government entities that are currently claiming an exemption from GST/HST (i.e., Quebec government entities listed on Schedule A to the RTA) will continue to claim an exemption from GST/HST up to and including March 31, 2013.

The GST/HST will not apply to any consideration that becomes due, or is paid without having become due, before April 1, 2013 in respect of taxable supplies of property and services made to Quebec government entities listed on Schedule A to the RTA. In such cases, suppliers will continue to accept Crown funds exemption certificates or certification clauses requesting relief at point of sale in respect of both the GST and HST.

Example 2

In February 2013, a Quebec ministry which is listed on Schedule A to the RTA, orders and pays for furniture, but the furniture is not delivered and ownership is not transferred to the Quebec ministry until May 2013. The furniture is acquired in the name of the Province and the Quebec ministry provides a Crown funds exemption certificate or certification clause to the registered supplier.

Because the Quebec ministry is listed on Schedule A to the RTA, and the consideration for the supply of the furniture is paid before April 1, 2013, the Quebec ministry continues to claim an exemption from GST/HST. Therefore, the supplier does not charge GST/HST on the consideration for the supply of the furniture to the Quebec ministry. The supplier may accept the Quebec ministry's Crown funds exemption certificate or certification clause requesting relief from the GST/HST at point of sale as the consideration for the supply is paid before April 1, 2013.

Example 3

A Quebec ministry, which is listed on Schedule A to the RTA, hires a registered professional to perform services in March and April 2013 for \$2,000, which is payable in full at the beginning of March 2013. The Quebec ministry pays the \$2,000 to the professional on April 5, 2013.

Because the Quebec ministry is listed on Schedule A to the RTA, and the consideration for the supply of the service becomes due before April 1, 2013, the Quebec ministry continues to claim an exemption from

GST/HST at point of sale. Therefore, the professional does not charge the GST/HST on the consideration for the supply of the service to the Quebec ministry regardless of when the consideration is paid. The professional may accept the Quebec ministry's Crown funds exemption certificate or certification clause requesting relief from the GST/HST at point of sale as the consideration for the supply becomes due before April 1, 2013.

Supplies made to Quebec government entities listed on Schedule A to the RTA will only be subject to GST/HST on any consideration that becomes due on or after April 1, 2013 (unless it was paid before that date) or is paid on or after April 1, 2013 without having become due, in respect of taxable supplies of property and services they acquire. In these cases, suppliers cannot accept Crown funds exemption certificates or certification clauses requesting GST/HST relief at point of sale.

Example 4

In February 2013, a Quebec ministry, which is listed on Schedule A to the RTA, orders a fax machine from a registered supplier and provides an exemption certificate to the supplier stating that it is not required to pay GST/HST because it is listed on Schedule A to the RTA. Under the agreement with the supplier, ownership is not transferred until the date of delivery in April 2013. The supplier delivers the fax machine to an office of the ministry in Quebec. The amount payable for the fax machine is due on April 15, 2013 and is not paid before that date.

Although the Quebec ministry is listed on Schedule A to the RTA, the supply is subject to the GST/HST because the consideration becomes due on or after April 1, 2013 (and is not paid before that date). Therefore, the supplier is required to charge GST on the consideration for the supply of the fax machine to the Quebec ministry. The GST applies, rather than the HST, as the place of supply is Quebec. A Crown funds exemption certificate or certification clause requesting relief at point of sale cannot be accepted by the supplier.

Example 5

A Quebec ministry, which is listed on Schedule A to the RTA, leases a vehicle from a registered supplier for a period of more than three months and takes possession of the vehicle on April 2, 2013. The first

lease payment becomes due and is paid on April 2, 2013 for the lease interval from April 1, 2013 to April 30, 2013.

Although the Quebec ministry is listed on Schedule A to the RTA, the supply is subject to the GST/HST because the consideration for the supply of the vehicle becomes due on or after April 1, 2013 (and is not paid before that date). Therefore, the supplier is required to charge the GST or the HST (depending on the place of supply for the supply of the vehicle that is made for each lease interval) on the consideration for the supply of the vehicle that is made to the Quebec ministry for each lease interval. A Crown funds exemption certificate or certification clause requesting relief at point of sale cannot be accepted by the supplier.

Example 6

A Quebec ministry, which is listed on Schedule A to the RTA, hires a registered professional to perform general services in March and April 2013. The services are performed entirely in Montréal. The professional charges \$2,000 for services performed from March 20, 2013 to April 30, 2013. The professional determines that 40% of the service is performed in March, and 60% of the service is performed in April. The professional issues an invoice for the total amount on May 6, 2013. The amount payable for the service does not become due and is not paid before that date.

Although the Quebec ministry is listed on Schedule A to the RTA, the supply is subject to the GST/HST as Quebec has agreed to pay tax effective April 1, 2013. The supplier charges the GST because the consideration for the supply of the service becomes due on or after April 1, 2013 (and is not paid before that date). Therefore, the professional is required to charge GST on the total consideration for the supply

of the service to the Quebec ministry. The GST applies, rather than the HST, as the place of supply is Quebec based on the address of the Quebec ministry that the supplier obtained in the ordinary course of its business. A Crown funds exemption certificate or certification clause requesting relief at point of sale cannot be accepted by the professional.

Example 7

In February 2013, a Quebec ministry, which is listed on Schedule A to the RTA, enters into a written agreement with a registered supplier to perform an office renovation. The office is situated in Trois-Rivières and the renovation is expected to take three months. The ministry has agreed to make three equal progress payments on March 1, April 1, and May 1, 2013 for the work that took place in the previous month. The progress payments do not become due and are not paid before these dates. The agreement with the supplier includes the ministry's certification clause covering the March 1, 2013 progress payment.

As the first progress payment is made on March 1, 2013, the supplier does not charge GST/HST. The payments on April 1, and May 1, 2013 are subject to the GST/HST as Quebec has agreed to pay tax effective April 1, 2013. The supplier charges the GST on the April 1 and May 1 payments as they are due on or after April 1, 2013 (and are not paid before that date). The GST applies, rather than the HST, as the place of supply of the service that relates to real property is Quebec based on where the office is situated. A Crown funds exemption certificate or certification clause requesting relief at point of sale cannot be provided by the ministry or accepted by the supplier with respect to the April and May payments.

This info sheet does not replace the law found in the *Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation* explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 15% in Nova Scotia, and 12% in British Columbia. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, you may 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*.

Effective April 1, 2013, the 12% HST in British Columbia will be replaced by the 5% GST and a provincial sales tax. It is also proposed that, effective April 1, 2013, the provincial sales tax and the 5% GST currently in effect in Prince Edward Island will be replaced by a 14% HST.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec Web site to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthsttech.

Appendix A – When an amount becomes due or is paid without having become due

The following rules explain when an amount becomes due and when an amount is paid without having become due. These rules apply to services and supplies of tangible and intangible personal property.

Amount becomes due

An amount payable for a supply becomes due on the earliest of the following days:

- the date of an invoice for that amount;
- the day the supplier first issues that invoice for the amount;
- if there is an undue delay in issuing that invoice, the day the supplier would have issued the invoice; and
- the day the purchaser is required to pay that amount under a written agreement.

Example 1

A supplier enters into a written agreement with a client. Under the agreement, the client is required to pay the total amount on January 31. On January 15, the supplier issues an invoice which is dated January 15.

The amount becomes due on January 15 because it is the earliest of the date of the invoice, the day the invoice was issued, and the day the client is required to pay the amount under the written agreement.

Amount is paid without having become due

An amount is paid without having become due when a purchaser pays an amount for a supply:

- before the date of an invoice, or before a supplier issues, or would have issued, the invoice; or
- before the purchaser is required to pay the amount under a written agreement and no invoice has been issued.

Example 2

A supplier enters into a written agreement with a client. Under the agreement, the client is required to pay the total amount due on January 31. No invoice is issued. The client pays the amount due on January 15. In this case, January 31 is the day the amount becomes due and January 15 is the day the amount is paid without having become due.

More than one invoice or payment

Sometimes, more than one amount becomes due or is paid without having become due. This could happen when, for example, a supplier issues more than one invoice or when the purchaser is required to make more than one payment under a written agreement. In this case, for each amount, the supplier must determine whether GST or HST applies. The supplier cannot, for example, just apply the HST on the final amount or on the total amount payable for the supply.

Example 3

A supplier enters into a written agreement with a client for a supply. Under the agreement, the client is required to make two payments. The supplier has to consider each payment separately to determine whether GST or HST applies to the amount paid.

Appendix B – Application of the GST/HST to taxable supplies of property and services acquired by Quebec government entities

The following illustrates to suppliers how the GST/HST applies to a taxable supply made to a Quebec government entity that is the recipient of the supply.

