



Guideline on the Payment, Recording and Rebate of the Quebec Sales Tax

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remboursement de la taxe de vente du Québec

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1. Effective date

This guideline takes effect April 1, 2013.

2. Purpose

The purpose of this Guideline is to assist departments in implementing Canada's obligations with respect to the QST in accordance with the Comprehensive Integrated Taxation Coordination Agreement (CITCA) and the Reciprocal Taxation Agreement (RTA) between Canada and Quebec.

3. Context

3.1 This guideline supports the requirements under sections 6.1 and 6.2 of the *Directive on the Payment, Collection and Remittance of Provincial Taxes and Fees* (the Directive).

3.2 On March 28, 2012, Canada and Quebec entered into a CITCA. As part of the CITCA, Canada agreed to replace the current exemption mechanism from paying QST applicable to federal government departments with a tax payment and rebate mechanism starting April 1, 2013. In other words, the federal government departments are now required to pay the QST on their purchases of taxable supplies when the applicable QST is paid or payable after March 31, 2013

3.3 A statutory, non-budgetary vote has been created, pursuant to the [Federal-Provincial Fiscal Arrangements Act](#), to make the QST payment.

3.4 This guideline should be read in conjunction with

- [Directive on the Payment, Collection and Remittance of Provincial Taxes and Fees](#);
- [Directive on the Application of the Goods and Services Tax/Harmonized Sales Tax](#);
- [Guideline on the Application of Goods and Services Tax/Harmonized Sales Tax](#); and
- [Summary of Reciprocal Taxation Agreements with Provinces and Territories](#)

Additional suggested references:

- [An Act respecting the Québec Sales Tax](#)

3.5 Note that the instructions concerning the rates and the application of the QST included in this guideline are provided by Revenu Québec in their role as the administrator of the QST.

4. Definitions

Definitions to be used in the interpretation of this guideline can be found in the *Directive on the Payment, Collection and Remittance of Provincial Taxes and Fees*.

5. Transitional Rules

5.1 Departments are required to pay the QST on their purchases of taxable supplies when the QST becomes payable after March 31, 2013. In general, the QST becomes payable at the earlier of:

- The date the payment for a purchase becomes due [See footnote \[1\]](#); or
- The date the payment for a purchase is made.

Note that there are specific transitional rules stemming from the general rules, such as payments made in instalments, rental property, conditional sales and instalment sales, deposits and construction contracts. For details on these transitional rules, departments can consult the Revenu Québec website [When the GST and QST are payable](#), or contact Revenu Québec directly (see section 9).

5.2 Departments are exempt from paying the QST on their purchases of taxable supplies when the QST becomes payable before April 1, 2013. The exemption certificate is used as a proof of exemption status in these situations. Note that the exemption certificate is no longer valid as of April 1, 2013.

6. Payment of the QST

Starting April 1, 2013, departments are required to pay the QST on their purchases of taxable supplies made in Quebec and to subsequently claim a rebate through the QST Federal Rebate Administrator (see section 8). In addition, a new financial asset reporting account, the QST Refundable Advance Account (QST RAA), has also been created to record the QST paid or payable that

is eligible for a government rebate from Revenu Québec.

6.1 Approvals [See footnote \[2\]](#)

6.1.1 Approval limits established under legislation, regulation or Treasury Board policy or as defined by the Deputy Head normally include all applicable taxes. The application, however, depends on the wording found in the relevant legislation, regulation or policy. In the absence of wording specifically excluding tax from cost calculations, approval limits are inclusive of taxes.

6.1.2 For the exercise of the approval authorities, such as expenditure initiation, commitment control, and transaction authorities, the QST is to be included in the total amount.

6.1.3 For the exercise of project or program approvals that will take place in the province of Quebec, the QST is to be included in the total costs, including where project/program approvals are sought through the Treasury Board submission process. The total estimated cost (TEC) of a project or program is to be calculated both with and without the QST. The TEC exclusive of the QST is the amount that will be charged to the departmental appropriation. The QST portion will be charged to the QST RAA as applicable.

6.2 Transfer payments

6.2.1 Transfer payments are monetary payments, or transfers of goods, services or assets made on the basis of an appropriation, to a third party, including a Crown Corporation, that do not result in the acquisition by the Government of Canada of any goods, services or assets. Transfer payments are categorized as grants, contributions, and other transfer payments. Transfer payments do not include investments, loan or loan guarantees.

6.2.2 Transfer payments made for a public purpose that result in no supply made by the recipient of transfer payments to either the department (grantor) or a specified third party are not treated as the payments for a supply (e.g. goods or services) and are therefore not subject to QST.

6.2.3 When a department provides funding through a transfer payment agreement to a third party (the recipient) to undertake a project, the transfer payment agreement may provide that the funding can be used to reimburse all or part of the costs incurred by the recipient in carrying out the project. The QST paid by the recipient on its inputs to a transfer payment project may be considered to be part of the eligible project costs except for those amounts that a recipient is entitled to recover through an Input Tax Refund (ITR) or a QST rebate under the [Act Respecting the Quebec Sales Tax](#). The portion of the QST cost that is not eligible for reimbursement to the recipient through an ITR or a QST rebate may be considered as part of eligible project costs.

6.2.4 It should be noted, however, that a transfer payment falling within Treasury Board's definition of a transfer payment may still be subject to QST. Where there is a direct link between the transfer payment and a supply to the department (a grantor) or a specified third party, the payment may be an amount payable for a supply and may be subject to QST. When in doubt as to whether QST applies to a specific transfer payment, departments are to request a ruling from Revenu Québec.

6.3 Contracts

6.3.1 Procurement contracts for goods, services, and construction services, as defined by the [Contracting Policy](#), are always subject to applicable taxes. When a contract is subject to QST, departments are responsible for paying the QST and charging the QST to the QST RAA.

6.3.2 The applicability of the QST to a contract is the responsibility of the supplier, in accordance with Revenu Québec's place of supply rules. If there are questions as to the applicability of the QST to a given contract, contracting authorities in departments are encouraged to consult their legal counsel and Revenu Québec.

6.3.3 For additional information, see [Contracting Policy Notice 2013-1](#).

6.4 Real Property Transactions

6.4.1 Acquisitions of Real Property, as defined in the [Federal Real Property and Federal Immovables Act](#), that add to the federal inventory, are subject to applicable taxes. When a real property transaction is subject to QST, departments are responsible for paying the QST and charging the QST to the QST RAA.

6.4.2 The applicability of the QST to a real property transaction is the responsibility of the owner or the lessor, in accordance with Revenu Québec's place of supply rules. If there are questions as to the applicability of the QST to a given real property transaction, departments are encouraged to consult their legal counsel and Revenu Québec.

6.5 Allowances and Reimbursements paid to employees

Departments are to record and report QST on allowances and reimbursements paid to employees for expenses they incur while on government business as follows:

6.5.1 QST on allowances paid to employees

- An allowance [See footnote \[3\]](#) is a periodic payment or other payments that an employee receives from his or her

employer and that is used to pay expenses incurred in the course of his/her employment without the employee having to provide receipts for how the amount was spent. The allowance is normally paid to employees who were on travel status for government business. In this way, it could include items such as meal allowances, allowances for daily incidentals and pre-established kilometric rates etc as set out under the *National Joint Council Travel Directive*.

- The QST RAA may be charged for QST on allowances paid to employees to cover taxable expenses that employees incur within Quebec.
- The method to be used to calculate the QST on allowances consists of applying 9.975/109.975ths (or 9.07%) to the total amount of allowances paid to employees. Note that departments may charge this amount to the QST RAA when all the following conditions are met as required by Revenu Québec:
 - The allowance is paid to an employee of the department;
 - The allowance is paid either for acquiring property or services at least 90% of which are taxable, or for the use of a motor vehicle where the kilometric rate allowance is paid;
 - The property (e.g., goods or meals) or services are acquired or take place in Quebec, including the use of motor vehicles; and
 - The property (e.g., goods) or services are acquired for the use of the department in conducting government business.

6.5.2 QST on reimbursements to employees

- A reimbursement is any amount that an employee receives from his or her employer in respect of expenses (e.g., course fees, transportation and office supplies) that he or she personally incurred for the purpose of government business. The employee is to account for how the amount was spent (i.e., the employee is to provide receipts or other supporting documentation to the employer). Note that reimbursements to employees do not include amounts paid on departmental acquisition cards, departmental travel expense cards and departmental travel expense accounts. Refer to the [Directive on Acquisition Cards](#) and [Directive on Travel Cards and Travellers Cheques](#) for further information. Note that departmental employees are expected to apply these cards in the appropriate contexts.
- The QST RAA would be charged for QST on expenses reimbursed to employees. Because QST is not applicable outside of the province, when a claim includes expenses incurred both within and outside of the province, the QST to be charged to the QST RAA is to be calculated on the Quebec purchases only.
- There are two methods to calculate the amount of QST on the reimbursement:
 - **Method 1:** this method consists of calculating 9/109ths (or 8.26%) of the total amount of reimbursable expenses when 90% or more of these expenses are subject to QST.
 - **Method 2:** this method involves using the actual amount of QST incurred on all expenses.
- Note that departments may charge this amount to the QST RAA when all the following conditions are met as required by Revenu Québec:
 - The reimbursement is made to an employee; and
 - The employee acquired, consumed or used taxable property or services in the course of conducting government business.
- Departments may select different methods of calculation for different categories of reimbursed amounts (e.g., memberships, course fees, hotel expenses, tolls). The method of calculation selected by a department is to be used consistently within each category across the department throughout the fiscal year. For example, if a department chooses method 1 to calculate the tax paid in respect of expenses for one employee, the department is to use the same method for such expenses reimbursed to all other employees during the fiscal year.

6.6 Audit trail and supporting documentation

Departments are to keep proper records and an audit trail for six years following the year when the claim for the government reimbursement is submitted to enable the verification of amounts charged to the QST RAA. Refer to [Receiver General Notice 2013-001](#) for additional information.

6.7 Self-assessment

Under the *Act respecting the Quebec Sales Tax*, self-assessment generally refers to the obligation of the recipient of a taxable supply (i.e., property or a service) to calculate and remit the QST on that supply in situations where the supplier is not required to collect and remit the QST. Federal government departments are not subject to any self-assessment provisions of the Act.

6.8 Importation of property or services

When a department imports/brings a taxable supply from outside of Canada or from another province or territory into Quebec and where the supplier is not required to collect and remit the QST, the department will not pay QST on these importations.

6.9 Disputes with suppliers of property or services over payment of QST invoiced

Suppliers that are QST registrants are always liable for remitting QST to Revenu Québec even where the QST remains uncollected. Where QST is not remitted as required under the *Act respecting the Quebec Sales Tax*, the suppliers may also be liable for applicable penalties and interest. Departments are not to engage in a dispute with a supplier over the QST portion of an invoice. Rather, it is recommended that a department first pay the amount of the tax invoiced by the supplier and then seek resolution from Revenu Québec (see section 9).

7. Recording of the QST

7.1 Accounting treatment – taxable purchases

7.1.1 When making purchases of taxable supplies, departments are to record the QST payable to the suppliers at the same time as the related property or services are recorded in the departmental financial system. The QST payable is to be recorded in the QST RAA. The full amount of the invoice (including QST) is to be recorded as an account payable.

7.1.2 For codes to be used to record the QST and the accounting treatment, refer to [Receiver General Notice 2013-001](#).

7.2 Charges to the QST RAA

Only QST payments that are eligible for a government reimbursement from Revenu Québec is to be charged to a department's QST RAA. Generally, there are three classes of QST payments that may be charged to the QST RAA:

- QST paid or payable on taxable supplies acquired by a department.
- QST deemed paid on allowances to employees who are on travel status for government business (e.g., meal allowances, daily incidentals and standard kilometric rates).
- QST deemed paid on expenses reimbursed to employees for expenses they personally incur while on government business (e.g. course fees, transportation and supplies, excluding the amounts paid by departmental acquisition cards, departmental travel expense cards and departmental travel expense accounts).

8. Rebate of the QST

The Receiver General for Canada is the QST Federal Rebate Administrator responsible for the rebate process. Detailed instructions can be found in the [Receiver General Notice 2013-001](#). For any question concerning the rebate, the rebate process and recording of the QST, please contact:

Chief, Accounts of Canada

Central and Public Accounts Reporting Directorate
Central Accounting and Reporting Sector
Accounting, Banking and Compensation Branch
Public Works and Government Services Canada
Place du Portage, Phase III, Floor 13A1
Ottawa ON K1A 0S5

Telephone: 819-956-1796

Email: rgsacc.rgacas@tpsgc-pwgsc.gc.ca

9. Enquiries

Enquiries concerning the specific application of the QST should be directed to Revenu Québec:

- By Telephone: 1-800-567-4692
- By Canada Post:

For offices located in Montréal, Laval, the Laurentides, Lanaudière and Montérégie

Direction principale des relations avec la clientèle des entreprises
Revenu Québec
C.P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

For offices located in Québec city and other regions

Direction principale des relations avec la clientèle des entreprises
Revenu Québec
3800, rue de Marly
Québec (Québec) G1X 4A5

Footnotes

Footnote ftn1

The payment for a purchase is considered to be due on the earliest of

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

[Return to footnote \[1\] referrer](#)

Footnote ftn2

Read this section in conjunction with section 5.1 of the *Guideline on the Application of the Goods and Services Tax/Harmonized Sales Tax*.

[Return to footnote \[2\] referrer](#)

Footnote ftn3

An amount constitutes an allowance when the following conditions are met:

- the amount paid is a predetermined amount;
- the amount is paid for a specific purpose;
- the amount spent is at the complete discretion of the person receiving the payment; and
- there is no requirement for the person receiving the payment to repay or account for its use.

[Return to footnote \[3\] referrer](#)