

Reminder: Quebec sales tax rate increases on **January 1, 2012**

December 2011

On January 1, 2012, the Quebec Sales Tax (QST) will increase by 1% to 9.5%.

Transitional rules

Supply of personal property and services

The 9.5% QST rate will apply to the supply of personal property and services if the total consideration is due after December 31, 2011 and is not paid before January 1, 2012. This rate will also apply to any portion of the consideration of such a supply that becomes due after December 31, 2011 and is not paid before January 1, 2012.

For example, consider a recipient who orders personal property from a supplier on December 10, 2011. The invoice is issued on this date, and the property is delivered and paid on January 6, 2012. The property will be taxed at a QST rate of 8.5% because the total consideration is due before December 31, 2011 (i.e., the invoice date).

Immovable property supply

The taxable supply of immovable property by way of sale will be subject to the QST at a rate of 9.5% if it's made pursuant to a written agreement entered into after December 31, 2011, and by virtue of which the ownership and possession of the property will be transferred to the recipient after this date.

As stated in the Revenue Quebec's tax news of April 11, 2011,¹ a written agreement includes, among other things, an agreement preliminary to a notarized contract. The written acceptance of an offer to purchase immovable property constitutes a written agreement to the purchase. In such cases, the date the offer to purchase acceptance is signed is the date the agreement is entered into.

¹ This document is available on Revenue Quebec's Web site: <http://www.revenuquebec.ca/en/centre-information/nf/2011/2011-04-11.aspx>.



When a written agreement contains a condition, the date of signing the agreement determines when the agreement is entered into, rather than the realization or non-realization of the condition.

The 9.5% QST rate will apply to a taxable supply related to the construction, renovation, transformation or repair of immovable property if it's performed by virtue of a written agreement entered into after December 31, 2011.

On the other hand, the previously described rules regarding the taxable supply of personal property or services will apply to the taxable supply of immovable property performed otherwise than by way of sale (i.e., by rental).

Rounded mathematical factors

As the QST is calculated on the consideration that includes the Goods and Services Tax (GST), its effective rate which is currently 8.925%, will increase to 9.975% as of January 1, 2012. The effective combined GST–QST rate, which is currently at 13.925%, will increase to 14.975%.

Simplified method for calculating expense account reimbursements

Through an administrative policy, Revenue Quebec allows for the use of a simplified method to calculate QST reimbursements for expense accounts. The mathematical factor, which is currently 8/108 of the total amount of reimbursed expenses, will become 9/109 as of 2012. For large businesses, Revenue Quebec has announced that the mathematical factor of 4.5% will increase to 5%.

QST harmonization

On September 30, 2011, the governments of Quebec and Canada announced the conclusion of a memorandum of agreement regarding the harmonization of the QST and GST. This memorandum, which strives among other things to harmonize the tax base and the tax rules, foresees several changes to the QST as of January 1, 2013. For more information, please consult our release titled [*Quebec and Canada sign memorandum of agreement for sales tax harmonization*](#).

Conclusion

Please contact us for more information about this sales tax increase or visit our Web site at www.GrantThornton.ca.

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