

Election by a Public Service Body Respecting Real Property (an Immovable) or Revocation of the Election

The term "real property" is used in federal legislation. The term "immovable" is used in Québec legislation. To simplify, we have used only the term "real property" in this form.

This form is intended for any public service body (PSB) that holds real property and wishes to elect to have the tax-exempt supplies of the real property treated as taxable supplies, or to revoke such an election.

If the body making the election is registered for the GST/HST and the QST or is required to be registered (hereinafter "registrant"), it may claim input tax credits (ITCs) and input tax refunds (ITRs) respecting the real property, based on the percentage of the actual use of the real property in its commercial activities. For more information, see pages 3 and 4 of this form.

To make this election, complete parts 1, 2, 3 and 4. To revoke an election, complete parts 1, 2 and 5. You must complete a copy of this form for each property for which the PSB is making or revoking the election.

For the purposes of this form, "real property" refers to immovable property held exclusively by the PSB and all the rights appurtenant thereto. Those rights are entered in the legal description of the property or in the leasehold interest (including all structures on the lot and any improvements).

1 Identification of the public service body

GST/HST account number

Québec enterprise number (NEQ)

Identification number

File

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Name				
Business name (if different from the name above)				
Address				Postal code
Mailing address (if different from the address above)				Postal code
Contact person	Title	Area code	Telephone	Extension
Type of PSB (check the appropriate box):				
<input type="checkbox"/> Hospital authority	<input type="checkbox"/> Non-profit organization	<input type="checkbox"/> University	<input type="checkbox"/> Public college	
<input type="checkbox"/> School authority	<input type="checkbox"/> Municipality	<input type="checkbox"/> Charity		

2 Identification of the real property

If a building straddles two lots, enter the lot number for each of the lots in question. The election will apply to all buildings located on these lots.

Address of the real property _____ Postal code _____

The lot number and other information pertaining to the real property _____



General information

The following information concerns elections and revocations of elections pertaining to the GST/HST and the QST. Consider only the information pertaining to the tax or taxes to which the election or revocation of an election applies. For example, if the election only applies to the QST, consider the information pertaining to ITRs and disregard the information pertaining to ITCs.

Effect of an election

When a PSB makes the election respecting real property, certain supplies of the property (for example, those made by way of sale or lease) are **treated as taxable supplies** (such supplies are usually tax-exempt). The real property covered by the election may be capital property of the PSB, may be held in inventory by the PSB or may have been acquired by the PSB by way of lease, licence or similar arrangement for the purpose of making a supply of the property in the same manner or for the purpose of assigning the arrangement. However, certain supplies of real property, such as long-term residential rentals, remain exempt supplies even if the election is in effect.

If the PSB making the election is a registrant, the ITC and ITR calculation rules vary depending on the situation.

The PSB is a GST/HST and QST registrant

In general, a PSB that is a GST/HST and QST registrant may claim an ITC and an ITR for **all** taxes paid or payable on the acquisition of real property that is capital property of the PSB, provided the percentage of use of that property in the PSB's commercial activities is more than 50%. If it is 50% or less, the PSB cannot claim ITCs or ITRs.

Where an election is in effect, a PSB that is a registrant may claim an ITC and an ITR for the taxes paid or payable on the acquisition of the property based on the percentage of actual use of the property in its commercial activities, provided that percentage is more than 10%.

The election takes effect on the day the real property is acquired

If the PSB is a registrant and the election takes effect on the day it purchases real property or acquires such property by way of lease, licence or similar arrangement, the PSB may claim an ITC and an ITR for the taxes paid or payable on the acquisition based on the percentage of actual use of that property in its commercial activities, provided that percentage is more than 10%.

If the PSB is a charity other than a designated charity that has purchased real property or acquired such property by way of lease, licence or similar arrangement, the PSB must follow the ITC and ITR calculation rules applicable under the net tax calculation method for charities, unless it has elected not to use that method. If the PSB elects to use the special quick method of accounting, it must follow the ITC and ITR calculation rules applicable under this method.

If the election takes effect on the day the PSB purchases the real property or acquires such property by way of lease, licence or similar arrangement and the PSB cannot claim ITCs or ITRs for taxes paid or payable on the acquisition, it may be entitled to claim a PSB rebate. If the PSB is entitled, it must file form FP-2066-V, *GST/HST and QST Public Service Bodies' Rebate Application*, with Revenu Québec.

The election takes effect after the day the real property is acquired

If the PSB is a registrant and the election takes effect after the day on which it acquired real property by way of lease, licence or similar arrangement, the PSB may claim ITCs and ITRs for the taxes paid or payable on the lease payments that become due on or after the day the election takes effect, based on the percentage of use of that property in its commercial activities. However, if the PSB is a charity that uses the net tax calculation method for charities, or any other PSB that has elected to use the special quick method of accounting, it cannot claim ITCs or ITRs respecting the real property it acquired by lease, licence or other agreement or respecting any related expenses.

If the election takes effect after the day a PSB (whether or not it is a registrant) purchased the real property, the following rules apply:

- The PSB is deemed to have made a taxable sale of that property immediately before the effective date of the election and to have collected on the sale an amount of GST/HST and QST equal to the basic tax content (see the definition on page 4) of the property on the effective date of the election.
- The PSB, in calculating the net tax for the reporting period in which the deemed sale occurred, must include the GST/HST and QST that it is deemed to have collected on the deemed sale. The taxes deemed collected are equal to the basic tax content of the property on the effective date of the election.
- The PSB is deemed to have purchased the property on the effective date of the election and to have paid on the deemed purchase an amount of GST/HST and QST equal to the basic tax content of the property on the effective date of the election.

If the PSB is a **registrant**, the following rules apply:

- To recover all or part of the GST/HST and QST paid or payable on the last acquisition and on any improvements the PSB made to the real property (tax that cannot otherwise be recovered), the PSB may claim any ITCs and ITRs equal to the basic tax content of the property before the deemed sale to which it is entitled.
- The PSB may claim an ITC and an ITR for the GST/HST and QST it is deemed to have paid on the deemed acquisition, based on the percentage of actual use of the property in its commercial activities after the election takes effect, provided that percentage is more than 10%.
- A PSB that is a charity other than a designated charity must use the ITC and ITR calculation rules applicable under the net tax calculation method for charities, unless the PSB has elected not to use that method.

If the PSB is **not** a registrant, it can claim a rebate equal to the basic tax content of the real property at the time of its deemed sale. To do so, it must file forms FP-189-V, *General GST/HST Rebate Application*, and VD-403-V, *General Application for a Québec Sales Tax (QST) Rebate*. The rebate is equal to the taxes that the PSB must pay and that it reports, further to the election, using forms FP-505-V, *Special Purpose Returns*, and FP-505.D.F-V, *GST/HST – QST Return for a Person That Is Not a GST/HST or QST Registrant*.



Sale of real property while an election is in effect

A PSB that is a registrant and that makes a taxable sale of real property while an election is in effect may claim an ITC or an ITR equal to the basic tax content of the property or the tax payable on the sale, whichever is less, multiplied by the percentage of use of the property for non-commercial activities. In general, a PSB that is a registrant claims such an ITC or ITR to recover the GST/HST or the QST that it could not previously recover.

A PSB that is not a registrant and that makes a taxable sale of real property while the election is in effect may claim a rebate that is equal to the basic tax content of the property at the moment of sale or the tax payable by the purchaser, whichever is less. The PSB will have to file forms FP-189-V and VD-403-V with Revenu Québec.

Special rules may apply to the calculation of the ITC, ITR or amount of the rebate, as applicable, that may be claimed when a PSB makes a taxable sale of real property to a person with whom the PSB is not dealing at arm's length. For more information, contact Revenu Québec's client services.

Registration of the PSB for consumption tax purposes on the effective date of the election

The rules described above that govern ITC and ITR claims do not apply to a PSB that registers for the GST/HST and the QST on the effective date of the election. In that case, the PSB may claim an ITC and an ITR if, immediately before registering, the PSB was a small supplier and held the real property to use it or to make a supply of it in the course of the PSB's commercial activities. The amounts of the ITC and the ITR are calculated based on the taxes deemed paid (which are equal to the basic tax content of the property) and the percentage of use of the property in the PSB's commercial activities.

Effect of the revocation of an election

If the PSB revokes its election respecting real property, certain supplies of that property (for example, those made by way of sale or lease) will generally be tax-exempt. In addition, on the effective date of the revocation, the PSB (whether or not it is a registrant) is deemed to have made a taxable sale of the property and to have purchased it. The PSB is also deemed to have collected and remitted GST/HST and QST equal to the basic tax content of the property on that date. In calculating its net tax for the reporting period that includes the effective date of the revocation, the PSB must include the taxes deemed collected and remit any positive amount of net tax to Revenu Québec.

If the PSB is a registrant, it may claim an ITC and an ITR for the GST/HST and QST it is deemed to have paid on the deemed acquisition, provided the percentage of use of the property in its commercial activities is more than 50%.

If the PSB is not a registrant, it may claim a rebate equal to the basic tax content of the real property at the time of its deemed sale. To do so, it must complete forms FP-189-V and VD-403-V. The rebate is equal to the taxes that the PSB must pay and that it reports, further to the revocation of the election, using forms FP-505-V and FP-505.D.F-V.

If the PSB ceases to be a registrant on the effective date of the election, see the next section.

Cancellation of GST/HST and QST registration

If a PSB cancels its GST/HST registration and its QST registration, it is deemed to have made a taxable sale of the real property and to have purchased it. It is also deemed to have collected and remitted amounts of GST/HST and QST that are determined as follows:

- Where the property is capital property, the GST/HST and QST are equal to the basic tax content of the property at the time the PSB ceased to be a registrant.
- Where the property is not capital property, the GST/HST and QST are calculated on the fair market value of the property on the day the PSB ceased to be a registrant.

In this case, the PSB must include the taxes deemed collected in calculating its net tax for the reporting period that includes the day the PSB ceased to be a registrant and must remit any positive amount of net tax to Revenu Québec.

If the PSB cancels its registration for the GST/HST and QST on the effective date of the revocation of the election, certain taxable supplies of the real property in question (for example, those made by way of sale or lease) will generally be tax-exempt.

Basic tax content

As a rule, the basic tax content of a property is equal to the taxes (GST/HST and QST) payable on the last acquisition of the property and on the improvements made to the property, after the deduction of any rebates or refunds (other than ITCs and ITRs) to which the person was entitled to or would have been entitled to, and after any depreciation in the value of the property is taken into account. In general, the depreciation factor is calculated by **dividing** the fair market value of the property at the time the basic tax content is calculated **by** the cost of the property and of any improvements thereto. This factor cannot exceed 1.

Deadline for filing the form

The PSB must file this form no later than one month after the end of the reporting period in which the election or revocation of the election takes effect. A copy of this form must be completed for each real property for which the PSB makes or revokes an election.

The reporting period of a PSB that is a registrant corresponds to the period covered by its GST/HST and QST returns.

The reporting period of a PSB that is not a registrant corresponds to a calendar month.

The election remains in effect until the PSB revokes it or no longer holds the real property.

Sending the form

Send this duly completed form to Revenu Québec at one of the following addresses:

- 3800, rue de Marly
Québec (Québec) G1X 4A5
- C.P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

For more information, call Revenu Québec's client services at 418 659-4692 (Québec City area), at 514 873-4692 (Montréal area) or, toll-free, at 1 800 567-4692.

For more information about charities or non-profit organizations, see *The QST and the GST/HST: How They Apply to Charities* (IN-228-V), or *The QST and the GST/HST: How They Apply to Non-Profit Organizations* (IN-229-V). Both documents are available on Revenu Québec's website at revenuquebec.ca.

