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THE QST, THE GST/HST AND ROAD VEHICLES

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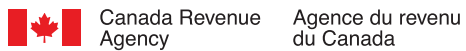
**WHENEVER YOU SELL, DONATE,
BUY, TRADE IN, LEASE OR
REGISTER A ROAD VEHICLE,
YOU MUST EITHER COLLECT
OR PAY TAXES.**

We have designed this guide to help you understand the rules that govern how the QST and the GST/HST apply to such transactions.

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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 contains information for vendors and purchasers on how the QST and GST apply to the acquisition of new or used road vehicles, the trade-in or donation of used road vehicles and the leasing and registration of road vehicles.

It also contains information on the purchase or leasing of road vehicles by an Indian, road vehicles specially equipped for persons with disabilities, demonstration vehicles and the shipping of road vehicles outside Québec.

Abbreviations used in this document

GST	Goods and services tax
HST	Harmonized sales tax
ITC	Input tax credit
ITR	Input tax refund
SAAQ	Société de l'assurance automobile du Québec
QST	Québec sales tax



DEFINITIONS

The following definitions are largely based on those found in the *Excise Tax Act*, the *Act respecting the Québec sales tax*, the *Income Tax Act*, the *Taxation Act* and the *Highway Safety Code*. For further information, please consult these acts.

Attestation de transaction avec un commerçant (ATAC) form

A form required by the SAAQ, which dealers must complete when selling a road vehicle.

Consumer

An individual who acquires property or a service for personal consumption, use or enjoyment and not for consumption, use or sale in the course of the individual's commercial activities or tax-exempt sales.

Dealer

A person who holds a dealer's permit issued under the *Consumer Protection Act*.

Estimated value

• **In the case of a used road vehicle:**

The value of the property equal to the average wholesale price (AWP), minus \$500. To determine the AWP, use the edition of the *Guide d'évaluation Hebdo (automobiles et camions légers)* that is the most recent on the first day of the calendar month during which the transaction takes place.

Used luxury vehicle

An appraisal is required to determine the estimated value of a used luxury vehicle under the following conditions:

- the vehicle is an Aston Martin, a Bentley, a Ferrari, a Hummer, a Lamborghini, a Lotus, a Maserati or a Rolls Royce;
- the model year is no longer listed in the *Guide d'évaluation Hebdo (automobiles et camions légers)*; and
- the vehicle is less than 25 years old.

The appraisal must be carried out by an appraiser who holds a certificate of professional qualification as an automobile damage appraiser issued by the Groupement des assureurs automobiles. The appraiser must carry out the appraisal in the normal exercise of his or her profession at a certified appraisal centre or at an establishment certified by the Groupement des assureurs automobiles. The name of the purchaser must appear on the appraisal report.

• **In the case of a used motorcycle:**

The value listed in the edition of the *Canadian Motorcycle Dealers Blue Book* (section 2, "Current Wholesale," "AVER" column) that is the most recent on the first day of the calendar month during which the transaction takes place, minus \$500. This reference document is published by All Seasons Publications Ltd.

• **In the case of a used snowmobile or all-terrain vehicle (ATV):**

The value listed in the edition of the *Canadian ATV, Snowmobile and Watercraft Dealers Blue Book* (section 2, "Current Wholesale," "AVER" column) that is the most recent on the first day of the calendar month preceding the calendar month during which the transaction takes place, minus \$500. This reference document is published by All Seasons Publications Ltd.

If a vehicle is no longer listed in the above-mentioned guides, the QST is usually calculated on the agreed sale price.



Individual

A person who is a non-registrant, unless otherwise indicated.

Input tax credit (ITC)

The credit obtained by a registrant in respect of the GST paid or payable on purchases made in the course of the registrant's commercial activities.

Input tax refund (ITR)

The refund obtained by a registrant in respect of the QST paid or payable on purchases made in the course of the registrant's commercial activities.

Large business

A business that makes, in a given fiscal year, more than \$10 million in taxable sales in Canada (including sales made by its associates).

Mandatory (agent)

A person whom another person (the "principal" for GST purposes and the "mandator" for QST purposes) has empowered by contract (mandate) to represent the other person in legal transactions with a third party. When a mandatory (agent) transacts with a third party in carrying out a mandate, the mandatory (agent) is considered to be acting on behalf of the mandator (principal).

Motor vehicle

A self-propelled vehicle with four or more wheels and a net weight of less than 4,000 kilograms that is designed essentially for passenger or freight transport by road. Such vehicles include jeeps, vans, buses and trucks, but exclude motorcycles, snowmobiles, all-terrain vehicles, trailers and farm tractors.

Registrant

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

Related individuals

Legally married spouses, de facto spouses, and persons related by blood, marriage or adoption. For example, a related individual can be a person's child, grandson, father, grand-mother, brother or the spouse of his or her brother, or the child, father or mother of the person's spouse. A person's nephew, niece, uncle or aunt is not a related individual.

Retail sale

A sale (or supply by way of gift) of a motor vehicle to a person for a purpose other than resupply by way of sale or by way of lease for a period of at least one year. The short-term or long-term lease of a motor vehicle does not constitute a retail sale.

Road vehicle

A motorized vehicle that can be used on roads and must be registered under the *Highway Safety Code*. In addition to those defined as a motor vehicle, such vehicles include trailers, semi-trailers and attachable-detachable auxiliary axles that are not motorized, but do not include motor-assisted bicycles, electric wheelchairs and vehicles that can be used only on rails.



Spouse

An individual with whom another person is married or living in a civil union, or an individual who is the de facto spouse of the person at the time of the transaction. A de facto spouse is an individual of the same or opposite sex who, at the time of the transaction:

- is living in a conjugal relationship with the person and is the biological or adoptive parent (legally or otherwise) of a child of whom the person is also a parent;
- has been living in a conjugal relationship with the person for at least 12 consecutive months (a separation of fewer than 90 days following the breakdown of their relationship is considered not to have interrupted the 12-month period); or
- has been living in a conjugal relationship with the person for less than 12 months, but had previously lived in a conjugal relationship with the person for at least 12 consecutive months (a separation of fewer than 90 days following the breakdown of their relationship is considered not to have interrupted the 12-month period).

Zero-rated sale

A sale of property or services that is taxable at the rate of 0%. A person that sells zero-rated property or services under the QST system, for example, is not required to collect QST on those sales.



APPLICATION OF THE GST AND QST

As a rule, the GST and the QST apply, at the rate of 5% and 9.975% respectively, to the taxable sale, lease and repair of road vehicles.

Calculation of the GST

In general, the GST, which applies at the rate of 5% to sales of new or used road vehicles made by dealers registered for the GST, is calculated on the agreed sale price. **The GST does not apply to sales of used vehicles between individuals.**

Calculation of the QST

In the case of a used road vehicle registered under the *Highway Safety Code*, 9.975% QST is calculated on the **greater** of the following amounts: the agreed **sale price** or the **estimated value** of the vehicle. In the case of a new road vehicle, the QST is calculated on the agreed sale price.

However, the sale of a motor vehicle to a person who acquires it solely for resale, or for lease for a period of at least one year, is considered to be a zero-rated sale under the QST system. The same is true of a vehicle acquired by a recycler for purposes such as the resale of automotive parts. Note that such sales are zero-rated only if the purchaser is a **QST registrant**.

The QST on motor vehicles is generally collected by the SAAQ at the time of registration. Vendors that sell a motor vehicle at retail are not authorized to collect the QST. However, vendors must collect the QST when selling other road vehicles.

Vendor obligations

Vendors are not required to collect the QST on the retail sale of a motor vehicle. However, they must calculate the QST payable by the purchaser and provide a sales contract or other document clearly showing the QST payable to the SAAQ and other required information, such as:

- the sale price;
- the amount used to calculate the QST (based on the estimated value, if applicable);
- the GST charged;
- the amount allowed on any trade-in; and
- the delivery date.

If you are a dealer, you must complete Part C of the *Attestation de transaction avec un commerçant* (ATAC) form.

If you fail to correctly indicate the QST payable by the purchaser, you will be liable for any QST that was not collected by the SAAQ, in addition to a penalty corresponding to 15% of the uncollected QST. Moreover, if you collect the QST by mistake, you must refund it to the purchaser.



Property and services

If property or services are sold along with a motor vehicle sold at retail but are listed separately on the sales contract, the vendor must collect QST on them. The QST collected on the property or services, however, must not be entered on the *Attestation de transaction avec un commerçant* (ATAC) form.

Examples of such property and services include:

- extended warranty or coverage;
- paint sealer;
- rust-proofing treatment;
- anti-theft markings;
- upholstery protection;
- remote starters;
- electronic starter locks;
- anti-theft systems.

Note that premiums paid on an automobile replacement insurance policy are not subject to the GST or the QST but rather to the 9% tax on automobile insurance premiums.

Purchaser obligations

You are required to pay the QST to the SAAQ when you register a motor vehicle that you purchased at retail. This is the case even if you have already paid a sum that was improperly or erroneously charged to you by the vendor as an amount of QST.

Neither the SAAQ nor Revenu Québec will refund (as an ITR or in another manner) the amount you paid. You will have to contact the vendor directly.

Some dealers act as the purchaser's agent for the purposes of vehicle registration. Under this type of arrangement, the purchaser remits the QST and the registration fees to the dealer, who is then responsible for remitting them to the SAAQ and completing the registration process. However, if the dealer fails to do so, the purchaser is nevertheless liable for paying QST and registration fees to the SAAQ.



ACQUISITION OF ROAD VEHICLES

Purchases of new or used road vehicles

Anyone who purchases a new or used road vehicle (other than a motor vehicle) from a dealer must pay the dealer 5% GST and 9.975% QST.

Motor vehicles

Likewise, anyone who purchases a new or used motor vehicle from a dealer must pay the dealer 5% GST. The GST does not apply to the sale of used vehicles between individuals.

However, anyone who purchases a new or used motor vehicle at retail is required to pay 9.975% QST to the SAAQ when the vehicle is registered. If the purchaser does not register the motor vehicle within 15 days following the delivery date, the QST will be considered payable by the purchaser when the vehicle is actually delivered. The purchaser must then pay the QST to Revenu Québec.

Example

A dealer registered for the GST and QST sells a used motor vehicle to an individual for \$13,000; no vehicle is accepted as a trade-in. The average wholesale price of the vehicle is \$12,000, from which \$500 is subtracted, giving an estimated value of \$11,500.

Agreed sale price		\$13,000.00
GST ($\$13,000 \times 5\%$)	+	\$650.00
QST ($\$13,000 \times 9.975\%$)	+	\$1,296.75*
Total payable		\$14,946.75

In this case, the agreed sale price (\$13,000) is higher than the estimated value of the vehicle (\$11,500); the QST must therefore be calculated on the agreed sale price.

* The QST is calculated by the dealer and must be paid by the purchaser to the SAAQ when the vehicle is registered.

Example

An individual sells a used vehicle to another individual for \$10,000. However, the average wholesale price of the vehicle is \$13,000, from which \$500 is subtracted, giving an estimated value of \$12,500. Neither individual is engaged in commercial activities.

Agreed sale price		\$10,000.00
Estimated value		\$12,500.00
QST payable ($\\$12,500 \times 9.975\%$)		\$1,246.88

The GST does not apply in this case because the sale involves two individuals. The QST applies, however, and must be calculated by the SAAQ on the estimated value since it is higher than the agreed sale price. The vendor, a non-registrant, is not required to calculate the amount of QST payable by the purchaser. The purchaser must pay the QST to the SAAQ when the vehicle's registration is transferred.



Transactions between related individuals

When a used road vehicle is transferred between related individuals for a price that is lower than the estimated value, the QST is calculated on the agreed sale price.

In this case, the *Declaration of a Transaction Between Related Individuals with Regard to a Road Vehicle Registered in Québec* (form VD-80.1-V) must be completed and filed with the SAAQ when the vehicle is registered. The form must be accompanied by documents proving the relationship between the individuals.

Used road vehicles with damage or unusual wear

If a used road vehicle is purchased from a dealer for less than its estimated value because it is damaged or has been subjected to unusual wear, the QST may be calculated on the lower price as long as the purchaser, at the time of the transaction, provides the dealer with an evaluation report prepared by an appraiser who holds a certificate of professional qualification as an automobile damage appraiser issued by the Groupement des assureurs automobiles. The report must have been prepared by the appraiser in the normal exercise of his or her profession at a certified appraisal centre or an establishment certified by the Groupement des assureurs automobiles.

The dealer must keep the report in case there is an audit at a later date. A copy of the evaluation report must also be submitted to the SAAQ when the vehicle is registered.

If the purchaser pays QST on the estimated value of the vehicle, he or she may claim a rebate of the QST overpaid by submitting the evaluation report to Revenu Québec within the prescribed period of time. The evaluation report must be made within a reasonable amount of time (considered to be about 10 working days) after the date of the transaction. A longer amount of time may be acceptable if the purchaser can explain his or her inability to obtain the evaluation report at an earlier date and can provide proof that the vehicle was not damaged after the purchase date. The purchaser must make the claim using form VD-60.R-V, *Application for a QST Rebate for a Road Vehicle*.

Purchase of a road vehicle for sale

Calculation of the GST

A person who purchases a road vehicle for resale must pay 5% GST on the agreed sale price if the vendor is a registrant. If the vendor is not a registrant, the GST is not payable.

Registrants can claim an ITC for the GST paid on the purchase of the vehicle.

Calculation of the QST

Road vehicle other than a motor vehicle

A person who purchases a road vehicle other than a motor vehicle for resale must pay 9.975% QST on the purchase, regardless of whether or not the vendor is a registrant. In the case of a used road vehicle, the QST is calculated on the vehicle's estimated value, if it is greater than the agreed sale price.

Registrants can claim an ITR for the QST paid on the purchase of the vehicle.



Motor vehicle

The sale of a motor vehicle to a person who acquires it solely for resale, or for lease for a period of at least one year, is considered to be a zero-rated supply if the person is a QST registrant.

Neither the SAAQ nor Revenu Québec will refund (as an ITR or in another manner) the QST paid on the zero-rated supply of a motor vehicle.

If the purchaser is not a dealer and does not want to pay the QST when registering the vehicle, the purchaser must complete the *Certificate of Determination Respecting the QST: Registration of a Road Vehicle* (form VDE-23-V). For more information, see "Reduction of or exemption from the QST" on page 21.

Trade-ins of used road vehicles

The rules that apply to trade-ins vary depending on the purchaser (for example, an individual or partnership) and the type of vehicle.

Purchaser not required to collect the GST or QST (or calculate the QST)

In most cases, if where the purchaser of a used road vehicle is not required to collect the GST or QST (or calculate the QST), this is because the purchaser is an individual. However, the purchaser may also be a registrant that was ineligible for an ITC or ITR for taxes paid on a vehicle.

When a dealer accepts a used road vehicle as a trade-in for a vehicle, the credit given for the trade-in vehicle reduces the amount on which the GST and QST are calculated, provided:

- the trade-in vehicle will be used or supplied in the dealer's commercial activities;
- the person who trades in the used vehicle is not required to collect the GST or QST (or calculate the QST) on the vehicle; and
- the person who trades in the used vehicle is the owner of the vehicle.

Thus, the dealer collects the GST and the QST on the difference between the vehicle's sale price and the amount credited to the purchaser for the trade-in vehicle. If the amount credited to the purchaser for the trade-in vehicle is more than the sale price of the vehicle sold, the GST and QST are nil.

Examples

An individual who is not required to collect the GST or QST (or calculate the QST) purchases a new motor vehicle for \$20,000. The vendor accepts the individual's old vehicle as a trade-in, crediting the individual \$5,000 on the trade-in.

Sale price		\$20,000.00
Credit for the trade-in	–	\$5,000.00
		<hr/> \$15,000.00
GST ($\$15,000 \times 5\%$)	+	\$750.00
QST ($\$15,000 \times 9.975\%$)	+	\$1,496.25*
		<hr/>
Total payable		\$17,246.25

* The QST is calculated by the dealer and must be paid by the purchaser to the SAAQ when the vehicle is registered.



An individual who is not required to collect the GST or QST (or calculate the QST) purchases a used motor vehicle for \$20,000 from a used-vehicle dealer. The estimated value of the vehicle is \$23,500, that is, the average wholesale price (\$24,000) minus \$500.

The dealer accepts the individual's old vehicle as a trade-in, crediting the individual \$5,000 on the trade-in.

Sale price			\$20,000.00
Credit for the trade-in		–	\$5,000.00
			\$15,000.00
GST (\$15,000 × 5%)		+	\$750.00
Amount due to the dealer			\$15,750.00
Estimated value (higher than the sale price)	\$23,500.00		
Credit for the trade-in	–	\$5,000.00	
	\$18,500.00		
QST payable to the SAAQ (\$18,500 × 9.975%)		+	\$1,845.38*
	Total payable		\$17,595.38

* The QST is calculated by the dealer and must be paid by the purchaser to the SAAQ when the vehicle is registered.

Under the QST system, large businesses can benefit from the trade-in rule until December 31, 2020, for any trade-in road vehicle that did not give entitlement to an ITR because of the ITR restrictions. If a large business traded in a road vehicle that gave entitlement to a partial ITR as of 2018, it cannot benefit from the trade-in rule. This applies to vehicles weighing less than 3,000 kg that were acquired before January 1, 2018.



Example

In 2018, a large business that is a registrant purchases a new motor vehicle for \$20,000. The dealer accepts the business's old vehicle (weighing less than 3,000 kg and acquired in 2017) as a trade-in for the purposes of resale, crediting the business \$5,000 on the trade-in. The large business used the old vehicle exclusively (at least 90% of the time) for commercial activities.

Purchase of the new vehicle

Sale price			\$20,000.00
GST (\$20,000 x 5%)		+	\$1,000.00
Sale price	\$20,000.00		
Credit for the trade-in	– \$5,000.00		
	\$15,000.00		
QST (\$15,000 x 9.975%)		+	\$1,496.25*
Total payable by the large business			\$22,496.25

Sale of the used vehicle

Sale price			\$5,000.00
GST (\$5,000 x 5%)		+	\$250.00
QST (0%)		+	\$0
Total payable by the dealer			\$5,250.00

The business must collect the GST at the time the used vehicle is sold to the dealer. However, it must not collect the QST because the dealer is purchasing the motor vehicle for resale purposes only, which is zero-rated under the QST system.

* The QST is calculated by the dealer and must be paid by the purchaser to the SAAQ when the vehicle is registered.

Purchaser required to collect the GST and calculate or collect the QST

The rules described above do not apply in the following situations:

- A registrant that is an individual or a partnership purchases a road vehicle and trades in a vehicle that is part of the registrant's capital property and was used in the registrant's commercial activities in a proportion of at least 90%.
- A registrant that is not an individual or a partnership purchases a road vehicle and trades in a vehicle that is part of the registrant's capital property and was used in the registrant's commercial activities in a proportion of at least 50%.



The trade-in is a motor vehicle

If the purchaser is trading in a motor vehicle, both the vendor and the purchaser are required to collect the GST on the sale price because they are each making a taxable sale of a road vehicle.

If the trade-in is a motor vehicle acquired by the vendor for resale or a long-term lease, the purchaser is not required to collect the QST since the sale is zero-rated under the QST system. However, if the trade-in constitutes a retail sale, the purchaser must calculate the QST to be collected by the SAAQ on the vehicle's sale price.

Both parties may claim an input tax credit (ITC) and an input tax refund (ITR) in respect of the GST and the QST they paid on the transaction, provided the conditions respecting ITCs and ITRs are met.

Example

An individual purchases a new motor vehicle for \$20,000. The individual is a registrant who is required to collect the GST and the QST. The dealer accepts the individual's old vehicle as a trade-in for the purposes of resale, crediting the individual \$5,000 on the trade-in. The individual, who operates a small business, used the old vehicle exclusively (at least 90% of the time) for commercial activities.

Purchase of the new vehicle

Purchase price		\$20,000
GST ($\$20,000 \times 5\%$)	+	\$1,000
QST ($\$20,000 \times 9.975\%$)	+	\$1,995*
Total payable by the individual		\$22,995

Sale of the used vehicle

Sale price		\$5,000
GST ($\$5,000 \times 5\%$)	+	\$250
QST (0%)	+	\$0
Total payable by the dealer		\$5,250

Since the individual is a registrant, he or she must collect the GST at the time the vehicle is sold to the dealer. However, he or she must not calculate, charge or collect the QST because the dealer is purchasing the motor vehicle for resale purposes only (a zero-rated sale under the QST system).

Both parties may claim an ITC in respect of the GST, and the individual may claim an ITR in respect of the QST paid, provided the conditions respecting ITCs and ITRs are met.

* The QST is calculated by the dealer and must be paid by the purchaser to the SAAQ when the vehicle is registered.



The trade-in is a road vehicle other than a motor vehicle

If the purchaser is trading in a road vehicle other than a motor vehicle, both the vendor and the purchaser are required to collect the GST and QST on the sale price because they are each making a taxable sale of a road vehicle.

Example

An individual purchases a new tractor semi-trailer weighing at least 4,000 kg for \$100,000. The individual is registered and is required to collect the GST and the QST. The dealer accepts the individual's used tractor semi-trailer as a trade-in for the purposes of resale, crediting the individual \$40,000 on the trade-in. The individual, who operates a small business, used the old vehicle exclusively (at least 90% of the time) for commercial activities.

Purchase of the new vehicle

Purchase price		\$100,000
GST ($\$100,000 \times 5\%$)	+	\$5,000
QST ($\$100,000 \times 9.975\%$)	+	\$9,975*
Total payable by the individual		\$114,975

Sale of the used vehicle

Sale price		\$40,000
GST ($\$40,000 \times 5\%$)	+	\$2,000
QST ($\$40,000 \times 9.975\%$)	+	\$3,990*
Total payable by the dealer		\$45,990

Since the individual is a registrant, he or she must collect the GST. The individual must also collect the QST at the time the trade-in vehicle is sold to the dealer because the individual uses the vehicle exclusively for commercial activities and the transaction does not constitute a zero-rated sale of a motor vehicle weighing less than 4,000 kg.

However, both parties may claim an ITC and an ITR in respect of the GST and QST paid, provided the conditions respecting ITCs and ITRs are met.

* The QST is calculated and collected by the vendors that are parties to the transaction.



Leases of road vehicles

The GST and QST apply to leases of road vehicles. When a dealer leases such a vehicle to a person, the dealer may sometimes accept the person's used road vehicle as a trade-in. In such cases, the GST and QST are generally calculated on the monthly lease payments, determined on the basis of the amount credited for the trade-in and the residual value of the new vehicle leased, but not on the basis of a loan related to the trade-in vehicle.

The GST and QST must also be collected on any payment made by a lessee at the end of a contract.

Registrant that leases road vehicles

A registrant must collect the GST and QST at the time a road vehicle is leased (short-term or long-term lease). In the case of a long-term lease, the registrant must also collect the taxes if the lessee exercises the purchase option provided for in the leasing contract.

Example

A dealer registered for the GST and the QST leases a \$20,000 motor vehicle to an individual. The dealer accepts the individual's used vehicle as a trade-in and grants a \$5,000 credit for the trade-in. The residual value of the vehicle is \$8,000 and the period is 48 months.

The monthly payments are calculated as shown below:

Value of the new vehicle		\$20,000.00
Credit for the trade-in	–	\$5,000.00
		<hr/>
		\$15,000.00*
Residual value (purchase option)	–	\$8,000.00
		<hr/>
		\$7,000.00
Monthly lease payment ($\$7,000 \div 48$ months)		\$145.83
GST ($\$145.83 \times 5\%$)	+	\$7.29
QST ($\$145.83 \times 9.975\%$)	+	\$14.55
		<hr/>
	Monthly payments	\$167.67

* The interest rate applicable to lease payments is assumed to be 0%.



Accommodation sales of road vehicles

Where a person purchases a road vehicle from a dealer and asks the dealer to act as an intermediary in the sale of the person's old vehicle to a third party, the sale is known as an "accommodation sale."

The estimated-value rule does not apply to a used vehicle accepted as a trade-in under an accommodation sale. In such cases, the trade-in value agreed upon by the parties must be used. However, the estimated-value rule must be applied to the sale of a used road vehicle to a third party.

Example

A dealer sells a new vehicle for \$25,000 to an individual who is not required to collect the GST or QST (or to calculate the QST). The individual owns a used vehicle and sells it to another individual for \$10,000. The transaction carried out through the dealer is an accommodation sale. The amount given for the trade-in is \$10,000. The estimated value of the used vehicle is \$12,500 (that is, the average wholesale price of \$13,000 minus \$500).

Sale of the new vehicle by the dealer

Sale price		\$25,000.00
Credit for the trade-in	–	\$10,000.00
		<u>\$15,000.00</u>
GST (\$15,000 × 5%)	+	\$750.00
QST (\$15,000 × 9.975%)	+	\$1,496.25*
		<u>\$17,246.25</u>

Purchase of the used vehicle by the dealer

Purchase price \$10,000.00**

Sale of the used vehicle by the dealer

Sale price		\$10,000.00
GST (\$10,000 × 5%)	+	\$500.00
QST calculated on the vehicle's estimated value (higher than the sale price) (\$12,500 × 9.975%)	+	\$1,246.88*
		<u>\$11,746.88</u>

* The QST is calculated by the vendor and must be paid by the purchaser to the SAAQ when the vehicle is registered.

** The GST does not apply because the individual is not a registrant; the QST does not apply because the vehicle must not be registered by the dealer.



Gifts of used road vehicles

Used road vehicles supplied by way of a gift between two related individuals are generally not subject to the GST.

However, used road vehicles that must be registered under the *Highway Safety Code* and that are supplied by way of gift are, as a rule, subject to 9.975% QST calculated on the vehicle's estimated value. However, the QST does not apply if the vehicle:

- is supplied by one individual to another and the two individuals are spouses or related by blood, marriage or adoption. Both individuals must complete and sign form VD-80.1-V, *Declaration of a Transaction Between Related Individuals with Regard to a Road Vehicle Registered in Québec*;
- is supplied by the succession of a deceased individual in execution of the person's will or in accordance with the applicable legislation relating to the transmission of property on death; or
- is transferred from one individual to another as part of the settlement of the rights arising out of their marriage or as a result of a divorce, legal separation, marriage annulment or death.

If the vehicle in question is a used road vehicle registered in a Canadian province or territory other than Québec, the QST applies and is calculated on the estimated value of the vehicle. If the vehicle in question is registered outside Canada, the QST only applies when the GST applies. In such a case, the QST is calculated on the total value of the vehicle plus customs duties and excise taxes.



REGISTRATION OF ROAD VEHICLES

The SAAQ collects the QST on retail sales of motor vehicles at the time of their registration. In addition, it is responsible for monitoring the application of the estimated-value rule when the purchaser of a used road vehicle registers the vehicle.

Reduction of or exemption from the QST

In certain cases, the SAAQ either collects the QST on an amount less than a vehicle's estimated value or does not collect it at all. Some transactions can be partially or completely QST-exempt for the purchaser. To benefit from an exemption, the purchaser must generally obtain a *Certificate of Determination Respecting the QST: Registration of a Road Vehicle* (form VDE-23-V) from Revenu Québec before registering the vehicle with the SAAQ. To obtain this certificate, the individual must file an *Application for a Certificate of Determination Respecting the QST: Registration of a Road Vehicle* (form VD-55.1-V) along with the required supporting documents.

An exemption or reduction may be granted in the following situations:

- a transfer of assets between two businesses that includes the transfer of a vehicle according to an agreement, under the terms of a law, between closely related members of an eligible group or further to a winding-up;
- the repossession of a vehicle by the supplier following the cancellation of a sale;
- the bringing into Québec of a vehicle purchased outside Québec (for example, in Ontario, Newfoundland and Labrador, Prince Edward Island, Nova Scotia or New Brunswick) from a supplier not registered for the QST. This situation gives entitlement to a tax reduction only if the same reduction is granted to residents of the jurisdiction where the sale of the vehicle took place when they purchase a road vehicle in Québec;
- the bringing into Québec of a road vehicle for use by a business;
- the voluntary return of a road vehicle to its real owner as a result of an ownership claim;
- the recovery of a vehicle by a lender that is a QST registrant;
- the purchase of a motor vehicle by a registrant that is not a dealer for purposes of resale or lease for at least one year.

If, upon registering the vehicle with the SAAQ, the purchaser does not have an exemption certificate, the SAAQ is required to collect the QST on the sale price or the estimated value, whichever is higher. If the registrant did not pay QST on a motor vehicle acquired for resale or for lease for a period of at least one year, the purchaser can apply for a rebate of the QST from Revenu Québec using form VD-60.R-V, *Application for a QST Rebate for a Road Vehicle*.

Sales between individuals

In the case where a dealer acts as an intermediary in the sale of a used road vehicle between two individuals, Revenu Québec considers that the dealer is not responsible for collecting the QST.

The sale involves only two individuals, since the dealer neither acquires the vehicle from the seller nor sells it to the purchaser. In this type of sale, the SAAQ collects the QST. Any dealer that erroneously collects the QST in carrying out such a transaction must remit it to Revenu Québec. The GST does not apply to sales of used vehicles between individuals.



SPECIAL SITUATIONS

Purchase and leasing of road vehicles by an Indian

As a rule, an Indian does not have to pay GST or QST on property purchased on a reserve. However, where property is purchased off a reserve, an Indian must pay the taxes, unless the property is delivered to the reserve by the vendor or the vendor's agent and the Indian presents proof of registration under the *Indian Act* (usually by presenting his or her certificate of Indian status issued by Indigenous and Northern Affairs Canada).

The above rule applies to all property purchased by an Indian, including road vehicles, according to certain terms and conditions. Form LE-20-V, *Proof of Delivery to a Reserve*, can be completed by the vendor if the vendor's own vehicle is used to deliver the property to the reserve.

Vehicle purchased from a dealer

The GST and QST do not apply if the vehicle is delivered to the reserve by the dealer or the dealer's agent and the Indian has presented the appropriate proof of identity. In such cases, the dealer is required to keep documents showing why the GST and QST were not collected.

In addition, the dealer must complete the *Attestation de transaction avec un commerçant* (ATAC) form required by the SAAQ and write "Indien et livraison dans la réserve (name of the reserve)" in the appropriate box. Once the ATAC form has been completed, the Indian is exempted from paying the QST when the road vehicle is registered.

Vehicle purchased from a vendor that is not a dealer

The GST and QST do not apply to the purchase of a road vehicle from a vendor that is not a dealer if the vendor or the vendor's agent delivers the vehicle to a reserve and the purchaser presents the appropriate proof of identity.

In addition, in order to be exempted from paying the QST to the SAAQ when the vehicle is registered, the Indian must first obtain from Revenu Québec a copy of form VDE-23-V, *Certificate of Determination Respecting the QST: Registration of a Road Vehicle*.

However, if the Indian is unable to obtain this form before reporting to the SAAQ office, he or she can obtain a rebate of the QST by completing form VD-60.R-V, *Application for a QST Rebate for a Road Vehicle*, and returning it to Revenu Québec, together with the purchase contract and proof of delivery. The same procedure applies where an Indian purchases a road vehicle from an individual.

Lease

An Indian who leases a road vehicle is not required to pay GST and QST for each leasing period, provided the appropriate proof of identity is remitted to the supplier when the Indian takes possession of the vehicle and the vehicle is delivered to a reserve by the supplier or the supplier's agent.



Sale of road vehicles to a Mohawk of Kahnawake

A Mohawk of Kahnawake who purchases a road vehicle from a dealer is exempted from paying the QST, regardless of whether the dealer delivers the vehicle to a reserve.

This measure only applies if the dealer's commercial activities are carried on in one of the 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) or in one of the following municipalities: 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.

The vendor must also write "Mohawk de Kahnawake" in the "TVQ à payer par client à la SAAQ" box on the *Attestation de transaction avec un commerçant* (ATAC) form. These special rules do not apply under the GST system.

Road vehicles specially equipped for persons with disabilities

The purchaser of a road vehicle specially equipped for a person with disabilities may, under certain conditions, claim a rebate of the GST and QST paid on the purchase and installation of auxiliary driving controls or devices designed to assist in placing a wheelchair in the vehicle.

To claim the rebate, the purchaser must complete form FP-2518-V, *Rebate of the Tax Paid in Respect of a Vehicle Adapted for the Transportation of Persons with Disabilities*, and file it:

- with the vendor at the time of sale of the road vehicle; or
- directly with Revenu Québec.

If the form is filed with the vendor, the vendor must refund or credit the purchaser the GST and QST paid and then send the form to Revenu Québec.

Road vehicles adapted after purchase

The sale of certain parts used to adapt a road vehicle after its purchase (for example, auxiliary driving controls, wheelchair lifts and ramps) are zero-rated. The sale of a service of adapting a vehicle for use by a person in a wheelchair, including the sale of parts furnished with the service, is also zero-rated.

A person who paid GST and QST on a zero-rated sale may obtain a rebate by filing with Revenu Québec a copy of form FP-189-V, *General GST/HST Rebate Application*, and form VD-403-V, *General Application for a Québec Sales Tax (QST) Rebate*.

A document confirming the taxes paid with respect to the zero-rated sale must be filed with the forms.



Courtesy or demonstration vehicles

Motor vehicle dealers acquire vehicles for the purpose of resale. However, they may place some of their vehicles at the disposal of their employees or clients. In such cases, dealers that have the status of a large business must remit to Revenu Québec the QST for each vehicle thus used in the course of a given month.

In these circumstances, Revenu Québec considers that the dealer has made a sale of the vehicle on the last day of the month. The dealer is required to calculate and remit QST on 2.5% of the purchase price of the motor vehicle as if it had actually been collected. Any fraction of a month during which a vehicle is used for a purpose other than resale counts as a full month of such use.

This rule applies to vehicles made available for the use of a dealer's employees or customers until December 31, 2020. Thus, a dealer that is a large business must calculate and remit QST on 2.5% of the purchase price of the motor vehicle made available to employees or clients in a given month, and can claim an ITR for the QST remitted. The ITR must be calculated at the applicable rate for the year in which the vehicle was made available to employees or clients (25% in 2018, 50% in 2019 and 75% in 2020).

The above-mentioned rules do not apply under the GST system.

Example

A dealer that is a large business places motor vehicle A (which has a purchase price of \$12,000) at the disposal of an employee on March 1, 2018.

On March 10, 2018, the vehicle is sold by the dealer in the ordinary course of the dealer's activities. On that date, the dealer places motor vehicle B (which has a purchase price of \$20,000) at the disposal of the employee.

On March 25, 2018, vehicle B is sold by the dealer, and motor vehicle C (which has a purchase price of \$15,000) is placed at the disposal of the employee. The employee has used three vehicles in the course of the same month. The dealer must therefore remit to Revenu Québec the QST for the month calculated on 2.5% of the purchase price of the three vehicles. The QST is calculated as follows:

Vehicle A (\$12,000 × 2.5%)		\$300.00
Vehicle B (\$20,000 × 2.5%)	+	\$500.00
Vehicle C (\$15,000 × 2.5%)	+	\$375.00
		\$1,175.00
	QST payable (\$1,175 × 9.975%)	\$117.21

The dealer can claim an ITR equal to 25% of the QST paid (25% × \$117.21 = \$29.30) since the vehicles were made available to the employee in 2018.



Road vehicles shipped in Canada, outside Québec

The sale of a road vehicle is taxable. However, the QST does not apply when:

- the supplier ships the vehicle outside Québec; or
- the supplier transfers possession of the vehicle to a common carrier or to a consignee that the supplier has hired for the purchaser's behalf, to ship the vehicle to a destination outside Québec.

The sale of a road vehicle is zero-rated under the QST system when the vehicle is shipped outside Québec by a **purchaser other than a consumer**, provided the following conditions are met:

- The purchaser ships the vehicle outside Québec within a reasonable time after it is delivered by the supplier to the purchaser.
- The vehicle was not acquired for consumption, use or sale in Québec before being shipped outside Québec by the purchaser.
- After the sale is made and before the purchaser ships the vehicle outside Québec, the vehicle is not further processed, transformed or altered in Québec except to the extent reasonably necessary for or incidental to transporting it.
- The supplier has proof that the purchaser shipped the vehicle outside Québec.

A vehicle that travels on Québec roads for the purpose of being shipped outside the province is not considered as being used in Québec prior to shipping.

In all the above-mentioned situations, the QST does not apply to the sale of vehicles shipped to another Canadian province or territory outside Québec. However, the GST or HST does apply, depending on the province or territory to which the vehicle is shipped. For more information, refer to our website at revenuquebec.ca.

Likewise, the GST, the HST and the QST do not apply to the sale of a vehicle shipped outside Canada by the supplier.

QST rebate

The purchaser of a road vehicle can apply for a rebate of the QST paid on the purchase of the vehicle in the circumstances listed below.

Road vehicle exported or shipped outside Québec by the purchaser

A rebate of the QST paid on the purchase of a road vehicle, other than a motor vehicle acquired for resale or for lease for a period of at least one year, can be granted under the following conditions, provided the vehicle is then taken or shipped outside Québec:

- The purchaser is a person, **other than a consumer**, not resident in Canada.¹ The vehicle was purchased for use mainly outside Québec and was taken or shipped outside Québec within 60 days following the date it was delivered to the person.
- The purchaser is a person resident in Canada. The vehicle was purchased for use exclusively outside Québec and was taken or shipped outside Québec to another location in Canada within 30 days following the date it was delivered to the person. The person must provide either proof of payment of the tax levied by the province or territory to which the vehicle was taken or shipped or proof of registration if no tax is applicable.

Consumers who are not resident in Canada are not eligible for a rebate of the GST or the QST.

In addition, consumers who are resident in Québec and acquire a road vehicle to be shipped outside Canada must pay the GST and QST when the vehicle is acquired and are not entitled to a rebate.

1. In this situation, the individual also qualifies for a GST rebate.



New motor vehicles shipped outside Québec

A person who has acquired a new motor vehicle for the purpose of selling it and shipping it outside Québec is entitled to a rebate of the QST paid to the SAAQ for that vehicle. A rebate can also be claimed if the vehicle was acquired by an agent that is not a QST registrant and was shipped outside Québec within a reasonable amount of time, provided all of the following conditions are met:

- The exporter files form VD-403.E-V, *Application for a Rebate in Respect of New Motor Vehicles Shipped Outside Québec*, with Revenu Québec within 12 months following the date on which it paid the QST.
- The agent signs the statement in form VD-403.E-V confirming that the agent was acting on the exporter's behalf in acquiring the vehicle respecting which the rebate is being claimed.
- The motor vehicle was registered in the agent's and the exporter's name (it cannot be registered only in the vendor's name, the agent's name or the exporter's name).
- The vehicle's registration was cancelled no later than 15 days following delivery of the vehicle to the agent.
- Before being shipped outside Québec, the vehicle covered was not the subject of any transactions other than those between the vendor, agent and exporter.
- The rebate application includes the documents listed in form VD-403.E-V.
- The exporter files the rebate application with Revenu Québec only once a month.

The exporter cannot apply for a rebate of the QST paid when transferring the registration of the motor vehicle if it was acquired for resale or for lease for a period of less than one year. If the exporter does not want to pay the QST, the exporter must complete the *Certificate of Determination Respecting the QST: Registration of a Road Vehicle* (form VDE-23-V). For more information, see "Reduction of or exemption from the QST" on page 21.

Modification or cancellation of a transaction

Reduction of the sale price

If the sale price of a vehicle is reduced after the purchaser has paid the GST and QST, the purchaser can obtain a tax rebate.

If the QST was paid to the supplier of the vehicle, the supplier can refund the purchaser the amount of the QST calculated on the reduction of the sale price. The purchaser can also choose to claim a rebate of the QST from Revenu Québec using form VD-60.R-V, *Application for a QST Rebate for a Road Vehicle*.

If the supplier remits the QST to the purchaser by way of credit or debit note, the supplier can deduct this amount in the calculation of the net tax for the reporting period in which the tax was remitted to the purchaser.

If the QST was paid to the SAAQ, the purchaser can complete form VD-60.R-V to apply to Revenu Québec for a QST rebate calculated on the reduction of the sale price. The purchaser can use the same form to relinquish the right to a rebate in favour of the supplier of the vehicle if the supplier agrees to pay the purchaser the amount of the QST rebate to which the purchaser is entitled. The supplier does not have to send the form to Revenu Québec, but must keep it for records purposes.



Cancellation of sale

If the sale of the vehicle is cancelled, the supplier must refund the purchaser an amount equal to the value of the vehicle.

If the QST was paid to the supplier of the vehicle, the supplier can refund the QST to the purchaser. The purchaser can also choose to claim a rebate of the QST from Revenu Québec using form VD-60.R-V, *Application for a QST Rebate for a Road Vehicle*.

If the supplier remits the QST to the purchaser by way of a credit or debit note, the supplier can deduct this amount in the calculation of the net tax for the reporting period in which the tax was remitted to the purchaser.

If the QST was paid to the SAAQ, the purchaser can apply to Revenu Québec for a QST rebate using form VD-60.R-V. The purchaser can use the same form to relinquish the right to a rebate in favour of the supplier of the vehicle if the supplier agrees to pay the purchaser the amount of the QST rebate to which he or she is entitled. The supplier does not have to send the form to Revenu Québec, but must keep it for records purposes.

Note that the GST rebate can also be obtained from the supplier of the vehicle in the above-mentioned cases. If it is not, the purchaser can claim a rebate of the GST by filing with Revenu Québec a duly completed copy of form FP-189-V, *General GST/HST Rebate Application*.

Sale of a used motor home between individuals

The GST does not apply to the sale of a used motor home between individuals.

However, when the motor home is registered, the SAAQ collects 9.975% QST on the agreed sale price or the estimated value of the vehicle, whichever is greater.

If any other items or accessories (such as those listed below) are included in the sale of the motor home, their value must be included in the sale price used to calculate the QST.

- dishes;
- bedding;
- fan;
- trailer hitch;
- bicycle rack;
- bicycle;
- folding chairs
- parabolic antenna and mounting bracket;
- solar panel and accessories;
- screen house;
- cooler;
- vacuum;
- GPS system;
- hydraulic jack.

Example

An individual sells a motor home valued at \$35,000 to another individual. The motor home includes property such as dishes, bedding, an outdoor rug, a BBQ, a gazebo, a trailer hitch, a home cinema system, a washer and dryer, a flat-screen television and other accessories. The purchaser and vendor estimate the value of the property included with the motor home to be \$15,000.

The QST must be calculated on \$50,000, which is the total value of the motor home and the included property (\$35,000 + \$15,000 = \$50,000).



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)

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