



TaxNewsFlash Canada

Canadian Businesses — New QST Rules Coming September 1

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Canadian businesses located outside of Quebec face new QST rules as of September 1, 2019. Quebec has implemented new QST rules that require these Canadian businesses that make supplies in Quebec, and operators of certain digital platforms, to register and collect QST from customers in certain circumstances. These new QST obligations will affect Canadian businesses located outside Quebec that are not currently registered for QST purposes and that sell intangibles (e.g., digital music, software, movies, TV shows and games), services or goods to certain customers who reside in Quebec and who are not registered for QST purposes (i.e., “specified Quebec consumers”). This new requirement to register and collect QST as of September 1, 2019 also applies to businesses outside Canada that are already registered for GST/HST purposes.

Because these new requirements will soon take effect, Canadian businesses that are not currently registered for QST purposes should review the new QST rules to determine their obligations. If your Canadian business is already registered under the usual QST registration system, you will not be affected by these new QST rules. Additionally, businesses outside Canada that are registered for GST/HST purposes may have to review their transactions to determine how QST will apply.

Background

In its 2018 provincial budget, Quebec introduced new QST rules related to the digital economy that affect both Canadian businesses located outside of Quebec and foreign businesses located outside of Canada.

In general, affected Canadian businesses located outside of Quebec that have little or no presence in Quebec must register under a new simplified QST registration system, collect QST from specified Quebec consumers on taxable supplies of intangibles (i.e.,

“incorporeal movable property”), services and goods (i.e., “corporeal movable property”) and file their QST returns with the use of an online tool.

Similar QST rules are already in effect for foreign businesses that are not registered for GST/HST and that sell intangibles and services to qualifying consumers in Quebec. These foreign businesses have been required to collect QST from specified Quebec consumers on supplies of intangibles and services (but not goods) since January 1, 2019.

Operators of qualifying digital platforms through which foreign and Canadian businesses make taxable supplies to qualifying consumers are also affected by these new QST rules. Quebec announced transitional rules on February 28, 2019 for operators that have not collected the QST from January 1, 2019 to February 28, 2019 on qualifying supplies made by Canadian businesses through their platforms. In addition, the rules also apply to digital platforms that make taxable supplies themselves to specific Quebec consumers.

For more details, see *TaxNewsFlash-Canada* 2019-06, “[Electronic Platforms – New QST Rules Now in Effect](#)” and *TaxNewsFlash-Canada* 2018-53, “[Businesses Outside Quebec – New QST Rules in 2019](#)”.

Does your Canadian business have to register?

In general, businesses are required to register under the new QST rules if they have earned more than \$30,000 from sales of taxable supplies to consumers in Quebec in the last 12-month period. The rules and calculations used to determine whether businesses reach the \$30,000 threshold are slightly different from the small supplier threshold that applies under the usual QST registration system, and special rules apply to suppliers that make supplies through digital platforms. To enroll in the QST registration system, affected Canadian businesses will have to use a new online tool on Revenu Quebec’s website that is expected to be available soon.

KPMG observations

Canadian businesses will have to determine if their supplies to qualifying Quebec consumers are considered “made in Quebec”. As such, these businesses should review the place of supply rules as well as any deeming provisions that might apply.

Affected businesses that register under the new QST registration system will be assigned a QST registration number (that is different from the number issued under the usual QST registration system) and will also be automatically assigned quarterly reporting periods.

Identify specified Quebec consumers and collect QST

Businesses registered under the new QST registration system must collect QST only from specified Quebec consumers. To determine which of their customers qualify, Canadian businesses must confirm whether their customers' "usual place of residence" is in Quebec and whether their customers are registered for QST purposes. As part of this determination, these businesses must maintain two non-contradictory pieces of information related to each consumer's place of residence (e.g., the person's billing or home address, a device's IP address or payment-related bank information).

KPMG observations

Businesses subject to the new QST registration rules should consider reaching out to their customers to confirm their place of residence and QST registration status.

Foreign businesses that are registered for GST/HST purposes and deemed to be Canadian suppliers for purposes of these rules may want to carefully review the terms and conditions of their transactions with specified Quebec consumers. These businesses will have to collect QST on intangibles and services, as well as on goods that are imported into Quebec.

File QST return and remit tax

Once Canadian businesses register under the simplified QST registration system, they will have to e-file their quarterly QST return and remit the QST collected within one month after the end of each calendar quarter.

However, note that businesses registered under the new simplified QST registration system are not eligible to claim input tax refunds (ITRs) for QST paid on their inputs. As a result, some Canadian businesses may choose to enroll in the usual QST registration system rather than the new simplified QST registration system in order to be eligible to claim ITRs, subject to certain conditions. These suppliers should review their inputs to determine whether it might be beneficial to register under the usual system, which has different compliance obligations.

Correcting tax paid in error

If a QST-registered customer pays QST in error to a supplier registered under the new QST registration system, the customer must request a refund directly from the supplier, as they are not entitled to claim ITRs. However, where a consumer that is not registered for QST purposes (i.e., a specified Quebec consumer) pays QST in error (e.g., QST paid on a zero-rated supply) to a supplier registered under the simplified QST registration system, that consumer may request a refund from the supplier or Revenu Quebec.

Documentation requirements

These new QST rules include mandatory information requirements that are distinct from the requirements under the general QST rules. Suppliers registered under the new QST

registration system must clearly indicate certain details on their invoices, receipts, or agreements with their consumers, including the QST payable or that the amount paid or payable by the consumer includes the QST payable for the particular supply. These suppliers must indicate the QST tax rate distinct from any other tax. Similar to the usual QST rules, suppliers outside Quebec registered under the new QST registration system are required to retain their books and records, as well as any supporting documents, for six years after the year to which they relate.

KPMG observations

Businesses must be prepared to recognize QST paid in error on transactions with suppliers outside Quebec registered under the new QST rules.

Also, while specified Quebec consumers will no longer be required to self-assess QST on supplies received from newly registered suppliers outside Quebec, the self-assessment rules will continue to apply in other situations.

We can help

KPMG can help you determine how these new QST rules affect your business and determine how to prepare for those upcoming changes. We can assist you with your indirect tax compliance obligations, including the QST and/or GST/HST returns. We can also help identify areas where you may be able to manage certain tax costs.

For more information, please contact your KPMG adviser or one of the following Indirect Tax professionals:

Walter Sisti
National Leader - Indirect Tax Services
T: 416-777-3920
E: wsisti@kpmg.ca

John Bain
T: 416-777-3894
E: jbain1@kpmg.ca

Annette Beshwaty
T: 514-840-2349
E: abeshwaty@kpmg.ca

Nathalie Vanasse
T: 514-840-8050
E: nvanasse@kpmg.ca

Shawn Starkes
T: 416-777-8966
E: sstarkes@kpmg.ca

kpmg.ca



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