

2018 Québec budget: New QST registration rules for digital supplies by non-resident suppliers

April 4, 2018

In brief

The March 27, 2018 Québec budget proposes to expand the mandatory Québec Sales Tax (QST) registration rules for non-residents of Québec making digital supplies to Québec recipients. Specifically, registration will be required for:

- non-residents of Canada that make supplies of incorporeal moveable property (IPP) and services to specified Québec consumers
- residents of Canada that reside outside Québec and make supplies of corporeal moveable property, IPP and services to specified Québec consumers

In detail

The new registration rules proposed in the budget require suppliers with no physical or significant presence in Québec to register under a new specified registration system. These rules would come into effect on:

- January 1, 2019, for non-residents of Canada
- September 1, 2019, for residents of Canada that reside outside Québec

The requirement to register under the new specified registration system will also apply to digital property and services distribution

platforms in regards to taxable supplies of IPP or services received by specified Québec consumers, if these digital platforms control the key elements of the transaction.

For the purpose of these new rules, a specified Québec consumer is a person who is not registered for QST purposes and whose usual residence is in Québec. A person's usual residence may be considered to be where the person regularly lives or where the person has established a domicile.

The new specified registration system will be a simplified and accessible

registration system so that non-resident suppliers can easily comply with these new rules. The prescribed information to be disclosed by the suppliers will not be as detailed as is currently required under the existing QST regime. The purpose of this registration system is for non-resident suppliers to collect and remit the applicable QST. Therefore, the remittance of QST and filing of returns will be streamlined and simplified.

Non-resident suppliers registered under the specified registration system will not be registrants for the other provisions of the *Act*

respecting Québec Sales Tax (AQST) and will not be able to claim an input tax refund (ITR) in regards to the QST paid in respect of property or services acquired in the course of their commercial activities. Furthermore, the QST charged by these non-resident suppliers will not be eligible for ITR claims by specified Québec consumers.

Non-resident suppliers will also have the option to register under the general QST registration system, if they meet the criteria for voluntary registration under the AQST.

For this mandatory registration measure to apply to a supplier, the value of the consideration for all taxable supplies made by the supplier in Québec to customers must exceed a threshold of \$30,000. This threshold is calculated based on the taxable supplies made in Québec during the 12-month period preceding the month that includes a particular date.

More detailed guidelines and instructions, including draft legislation, are to be released by the Québec government in the coming months.

The takeaway

Any non-resident of Canada that makes digital supplies to specified Québec consumers, and any resident of Canada that resides outside Québec and makes supplies to specified Québec consumers, should consider how these new rules will impact its operations and prepare to register under the AQST. This will require significant system changes to identify taxable transactions to specified Québec consumers, to charge, collect and remit the QST, and to comply with all related filing requirements, starting either on January 1, 2019 or September 1, 2019.

Let's talk

For a deeper discussion on what these changes to the QST might mean for you or your business, please contact any of the following:

Mario Seyer
+1 514 205 5285
mario.seyer@pwc.com

James Capobianco
+1 604 806 7788
james.n.capobianco@pwc.com

Eric Paton
+1 416 869 2878
eric.paton@pwc.com

Samantha Delatolas
+1 514 205 5380
samantha.delatolas@pwc.com